

REPORT BY THE
AUDITOR GENERAL
OF CALIFORNIA

**IMPROVEMENTS ARE NEEDED IN THE STATE'S
PROGRAM TO PROVIDE ASSISTANCE
TO HOMELESS FAMILIES**

REPORT BY THE
OFFICE OF THE AUDITOR GENERAL

P-872

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PROGRAM TO PROVIDE ASSISTANCE
TO HOMELESS FAMILIES

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Acting Auditor General

April 30, 1990

P-872

Honorable Elihu M. Harris, Chairman
Members, Joint Legislative
Audit Committee
State Capitol, Room 2148
Sacramento, California 95814

Dear Mr. Chairman and Members:

The Office of the Auditor General presents its report concerning the State's program to provide assistance to homeless families. Although we found that the program meets a need to provide shelter for homeless families, we also found numerous cases of possible fraud and program abuse by applicants. Both the state Department of Social Services and county welfare departments need to increase their efforts to reduce fraud and abuse in the homeless assistance program. Additionally, state law and department regulations related to the program limit the steps that counties can take to prevent fraud and abuse and provide for limited accountability from families who receive assistance.

Respectfully submitted,

A handwritten signature in cursive script, reading "Kurt R. Sjoberg".

KURT R. SJOBERG
Acting Auditor General

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SUMMARY

RESULTS IN BRIEF

County welfare departments (counties) and the Department of Social Services (department) need to improve their administration of the State's program to provide financial assistance to homeless families. Although the homeless assistance program meets a need to provide housing for homeless families, and since the inception of the program, counties have improved program controls, the department and the counties have not always taken sufficient measures to limit fraud and abuse by families in the program. Additionally, the state law establishing the program and the department's regulations limit the steps that the counties can take to prevent fraud and abuse and provide for limited accountability from families who receive assistance. These conditions have resulted in the following occurrences:

- Families have received assistance in multiple counties during the same 12-month period. In four counties where we used the counties' automated data files, we confirmed that at least 20 families received homeless assistance that they were ineligible for in a second county during the same 12-month period. These 20 families inappropriately received \$13,312 in homeless assistance in the second county;
- In at least 9 (11 percent) of the 83 cases that we reviewed at three counties, we concluded the families were not homeless or provided false or misleading information to receive homeless assistance funds. These 9 families received a total of \$7,810 in homeless assistance;
- In an additional 17 (20 percent) of the 83 cases we reviewed, the families received \$16,720 in homeless assistance, but it is questionable whether the families were really homeless. For 8 of the cases, after receiving the homeless assistance funds, the

families reported to the county the same address they had before they applied for homeless assistance. The payments in these 8 cases totaled \$7,470;

- In at least 3 (4 percent) of the 83 cases in our sample, the families received \$2,325 in homeless assistance to move into permanent housing, but did not use the funds for that purpose; and
- In 22 (61 percent) of 36 cases in which the families did not provide required verification that they had spent the funds for housing, the counties still paid an additional \$15,300 in subsequent payments directly to the family rather than to the provider of shelter.

BACKGROUND

Chapter 1353, Statutes of 1987 of the Welfare and Institutions Code provides special funding to assist homeless families. A family is considered homeless when the family lacks a fixed and regular nighttime residence, has a primary nighttime residence that is designed to provide temporary living accommodations, or is living in a public or private place not designed as a regular sleeping accommodation for humans. Homeless assistance is available to families who are currently receiving Aid to Families With Dependent Children (AFDC), are eligible for AFDC, or are "apparently eligible" for AFDC. Apparent eligibility exists when a family presents documents to the county that indicate that the family is eligible to receive assistance. The department is responsible for overseeing the counties' direct implementation of the homeless assistance program.

Counties administer funds to families to acquire both temporary and permanent housing. The counties administer homeless assistance funds to homeless families to meet the immediate needs of the cost of temporary shelter. In addition, counties provide homeless assistance funds to pay actual costs for the last month's rent and security and utility deposits to help homeless families

secure a permanent residence. A family is eligible to receive a cycle of homeless assistance payments (up to four weeks of temporary assistance and one instance of permanent assistance) only once within a 12-month period.

The homeless assistance program is 50 percent federally funded; approximately 45 percent state funded; and approximately 5 percent county funded. During the first two years of the program, the department reported it spent more than \$143 million to provide assistance to homeless families.

PRINCIPAL FINDINGS

The Counties and the Department Need To Increase Their Efforts To Limit Fraud and Abuse in the Homeless Assistance Program

The county welfare departments we visited and the department have not always taken sufficient measures to ensure that homeless assistance is provided only to those families who are both homeless and eligible to participate in the AFDC program.

Specifically, the counties have been slow to implement a statewide system, known as the Homeless Assistance Payment Indicator (HAPI) system. Without this system, the counties have had no practical way to screen applicants for homeless assistance to determine whether they have received assistance in another county during the year and are, therefore, currently ineligible for assistance. From automated data files at four counties, we confirmed that 20 families received homeless assistance that they were ineligible for in a second county.

Additionally, counties have not always required that families who receive assistance provide verification that they spent the monies that they received on shelter. In 50 of the 83 cases we reviewed, the families received multiple homeless assistance payments for temporary shelter and were required to provide

verification that funds had been spent for shelter. Yet, in 36 of these 50 cases, the families did not provide the requested verification of how the previously received homeless assistance funds were spent, and in 22 (61 percent) of the 36 cases, the counties continued to pay \$15,300 in subsequent homeless assistance payments directly to the families rather than to the providers of shelter as required by program regulations. Moreover, in 70 of the 83 cases we reviewed, the families received permanent assistance; in 6 (9 percent) of the 70 cases, the families received a total of \$4,715 without providing sufficient verification that the funds would be used for shelter or to pay for utility deposits. Finally, the counties paid families for a fourth week of temporary assistance without documenting the families' need for additional assistance. In 10 of 13 cases of families receiving a fourth week of temporary assistance, we could find no evidence in the counties' files that the eligibility workers had even questioned the families as to the reason for needing the additional assistance.

The three counties we visited also paid homeless assistance to families who did not provide the identification documents required by program regulations. In 12 (14 percent) of the 83 cases, families received homeless assistance without providing the required documents necessary to determine their eligibility.

Furthermore, the counties have not always attempted to collect payments that were made inappropriately. In 3 of the 83 cases, the counties were aware that \$2,835 in overpayments had been paid; however, we could find no evidence that the counties had attempted to collect these overpayments as of the time of our review.

Finally, the counties have not always followed up on or investigated cases in which the information that a family reported about its homelessness or eligibility appeared questionable. Of the 83 cases, 17 totaling \$14,543 met the criteria that the counties use to identify cases that should be referred for investigation of possible fraud; however, only

4 were referred for investigation. We followed up on 14 in which the homelessness of the family was questionable. In at least 9 of these cases, we determined that the families were not eligible for the homeless assistance.

County officials reported that the counties are constrained in the steps they can take to reduce fraud and abuse by a number of factors. County officials reported that the homeless assistance program increased their workload and they have had to make staffing adjustments. Additionally, the statutorily mandated time frames in which counties must either grant or deny homeless assistance requests severely limit the time available to a county to verify information provided by applicant families to more carefully determine eligibility. One county reported that vagueness in program regulations contributed to problems in administering the homeless assistance program.

Laws and Regulations for the
Homeless Assistance Program Provide
for Limited Accountability and Allow
Questionable Practices

Although our review revealed that the homeless assistance program is meeting a need in providing housing for homeless families, certain aspects of the program design, including the statutes that established the program and the regulations to implement the program, provide for limited accountability and allow questionable practices by families who receive assistance. The homeless assistance program is designed to immediately address an emergency situation. However, the need to immediately respond to homeless families limits the amount of time a county has to ensure that the applicant family is truly homeless and eligible for the program.

In the 83 case files that we reviewed at three counties, we found cases in which the program was successful in meeting the need of its intended population. We found cases in which the program allowed homeless families to obtain temporary emergency shelter and long-term residences. However, we also found that

homeless assistance funds were received by at least 26 families whose homelessness and eligibility were questionable.

Program regulations could be amended to provide additional safeguards to ensure that homeless assistance is provided only to eligible families without sacrificing the program goal of immediately responding to homeless families. Regulations could also require more formal verification from recipients that homeless assistance funds are used for shelter. Finally, regulations could provide that in those cases in which the family is legally repeating its participation in the program, the county will make assistance payments to the provider of shelter rather than to the family to provide more assurance that the family is properly spending the funds for housing. The department is currently considering changes to program regulations that would provide more accountability from recipient families and would address some of the concerns discussed in this report.

The Department and the Counties Need To Improve Their Data Bases for the Homeless Assistance Program

To effectively manage the homeless assistance program, the department and the counties need accurate, readily available information about the program. However, both the department and the counties could improve some of their management information systems related to the homeless assistance program. For example, the counties differ on how they complete the Monthly Statistical Reports, which are the source of much data about the homeless assistance program. Therefore, the information reported by the counties is not comparable among counties, and the department is unable to compile an accurate report of the data.

Also, data in the HAPI system is incorrect and still incomplete for some counties that have reportedly entered their data. We compared information in the HAPI system with information we gathered from case files at three counties. We could locate only 18 of 37 cases that should

have been in the system according to information reported by the counties. Further, in 16 of the cases, the information in the HAPI system was incorrect. When the data in the HAPI system is incomplete or inaccurate, the system is less effective to identify applicants who illegally apply for assistance in multiple counties.

Finally, because the department does not separately identify in its quality control reviews those cases that include homeless assistance, the quality control process does not provide the department a way to readily identify error patterns in the homeless assistance program or a way to develop appropriate corrective action. Also, there is no practical way to determine whether a sufficient number of homeless assistance cases are included in the quality control process to make it a viable means of monitoring the homeless assistance program.

RECOMMENDATIONS

To reduce fraud and abuse in the homeless assistance program, the Department of Social Services should take the following actions:

- Ensure that all county welfare departments enter data on all homeless assistance cases into the Homeless Assistance Payment Indicator system;
- Ensure that counties require families to provide verification of how all homeless assistance funds were spent before any additional funds are provided to the families. If the families cannot provide such verification, all future payments should be made directly to the provider of shelter;
- Ensure that counties follow up on and increase efforts to investigate questionable cases; and
- Ensure that counties attempt to recoup all payments of homeless assistance that were made inappropriately.

To provide additional accountability in the homeless assistance program, the department should take the following steps:

- Expedite approval and implementation of its proposed amendments to program regulations; and
- Consider additional regulatory changes proposed in Chapter II of this report, such as making all payments directly to the provider of shelter rather than to the family for all families who repeat the program.

Finally, to improve the data bases related to the homeless assistance program, the department should take the following actions:

- Ensure that all counties understand correctly how they are to report information to the department on the Monthly Statistical Reports;
- Take steps to ensure that the counties report complete and accurate information to the department's HAPI system; and
- Develop a system to separately identify the cases in its quality control reviews that include homeless assistance recipients.

AGENCY COMMENTS

We received written comments from the State Department of Social Services and from each of three counties where we conducted our file review of homeless assistance cases. The department takes no exception to the findings that we present in this report and generally agrees with our recommendations.

The three counties express various concerns about statements in the report and have asked that we clarify certain of these statements. Two of the counties point out that the counties cannot deny the payment of homeless assistance to a family just because the family was not initially able to provide all the documents necessary to prove that they were eligible for the program. Similarly, two of the counties

object to our use of the word "questionable" as it describes certain families in our case file review who have participated in the program, but whose eligibility for the program appears doubtful. Finally, two of the counties stated that the homeless assistance program has caused an increased workload that has affected the various other welfare programs that the counties administer. We comment on the counties' concerns following each county's response, included at the end of this report.

INTRODUCTION

Chapter 1353, Statutes of 1987 of the Welfare and Institutions Code provides special funding to assist homeless families in obtaining temporary shelter and permanent housing. A family is considered homeless when the family lacks a fixed and regular nighttime residence, has a primary nighttime residence that is designed to provide temporary living accommodations, or is living in a public or private place not designed as a regular sleeping accommodation for humans. Under Chapter 1353, homeless assistance is available to families who are currently receiving Aid to Families With Dependent Children (AFDC), are eligible for AFDC, or are "apparently eligible" for AFDC. Apparent eligibility exists when a family presents documents to the county that indicate that the family is eligible to receive assistance if the county could verify all information and facts presented to the county by the family.

The Department of Social Services (department) is responsible for ensuring that homeless families receive assistance in securing temporary and permanent housing and for overseeing the county welfare departments' (counties) direct implementation of the program. The department is also responsible for developing rules and regulations to ensure that counties administer the program uniformly statewide. California counties are responsible for directly administering AFDC homeless assistance to homeless families.

PROGRAM OPERATION

Counties administer funds to homeless families to acquire both temporary and permanent housing. To be eligible for homeless assistance, a family must be homeless at the time that it applies for assistance, must incur a cost for shelter, and must be seeking permanent housing. The amount that a family may receive for temporary shelter is a set amount established by state law and is not dependent on the family's actual cost for housing. A family of four or less will receive \$30 per night for temporary assistance, regardless of the amount that the family must actually spend for temporary shelter.¹

Homeless families may receive up to three weeks of temporary assistance to meet the immediate cost of temporary shelter; counties are to provide an additional fourth week if the family provides "good cause" justifying the need for the fourth week of assistance. In addition, counties provide homeless assistance funds to help families secure permanent shelter. Families receive assistance for permanent housing to pay actual costs for the last month's rent and security and utility deposits.

¹Families larger than four receive another \$7.50 for each additional family member per night up to a maximum of eight family members.

Section 11450 of the Welfare and Institutions Code states that counties must deny or issue temporary assistance immediately upon the family's application. Department regulations interpret "immediately" to mean that counties must issue or deny payments for temporary assistance on the same working day that the family requests assistance; otherwise, department regulations require that counties arrange shelter for the family during the interim until payment is made. State law and department regulations also require counties to deny or issue assistance payments for permanent housing no later than one working day from the time the family applies for such assistance. Counties use various methods to make homeless assistance payments, such as direct payments to families, vendor payments made directly to the entity providing shelter, and voucher payments in which the provider of shelter returns the voucher (invoice) to the county for payment.

A family may receive homeless assistance to secure temporary or permanent housing at a variety of places, including with family or friends, in a commercial establishment such as an apartment, through private rentals, or at a shelter facility if the shelter charges the family and the shelter is for temporary housing only. A family is eligible to receive a cycle of homeless assistance payments (up to four weeks of assistance for temporary shelter and one instance of assistance to secure permanent housing) only once within a 12-month period. There is no limit on the number of annual cycles of homeless assistance that a family may receive. The department could not provide statistics on the percentage of families who repeat the program after

12 months; however, our testing of automated case files in three counties revealed that, in these three counties, approximately 4 percent of the families who received homeless assistance in those counties received more than one cycle of homeless assistance.

However, a number of reasons lead us to believe that the 4 percent figure understates the percentage of the population that repeats the homeless assistance program. First, since we developed only a listing of families who repeated within a particular county, our testing would not show those families who first received homeless assistance in one county and then received a second cycle of homeless assistance more than one year later in another county. Second, our testing of the counties' automated data files was done on the assumption that the data tapes that the counties provided to us included the complete universe of families who received homeless assistance in the county through August 31, 1989, as we requested. We were unable to test the counties' data tapes to ensure that they included a complete universe of homeless assistance cases; however, we know that in at least one county the data tape did not include all cases of families who received homeless assistance. In our review of 26 individual families' cases in this county, we identified 2 families who repeated the program; however, neither of these cases was included in the results of our automated test to identify families who repeat the program. Additionally, in our case file review, we found a higher percentage of families who repeated the program; 8 (11 percent) of 75 families whose case files we reviewed repeated the program.

Furthermore, the counties we contacted and the department believed the percentage of families repeating the program was higher. One county conducted a study that showed that within that county an estimated 13 percent of the families who received homeless assistance repeated the program.

Since a family must also be eligible for AFDC or apparently eligible for AFDC to qualify for homeless assistance, most families who receive homeless assistance also receive other types of assistance through the AFDC program. The AFDC program provides a monthly cash grant to eligible families to meet their basic needs, including an allowance for food, housing, clothing, and other items. The amount that families receive in monthly AFDC grants is established by law and is based on the number of eligible needy persons in the same home. These grants vary from \$341 per month for a family of one to a maximum of \$1,460 for a family of ten or more. A study prepared by the Assembly Office of Research shows that 73 percent of homeless families are receiving AFDC. In 57 cases (69 percent) from our sample of 83 cases, the families were already participating in the AFDC program at the time that they applied for homeless assistance.

PROGRAM FUNDING

The homeless assistance program is 50 percent federally funded, approximately 45 percent state funded, and approximately 5 percent county funded. From February 1, 1988, to February 1, 1990,

the department reported that payments provided to homeless families amounted to more than \$143 million. The department could not provide accurate data on the number of individual families who received these funds or the number of cases approved during the first two years of the program. For fiscal year 1990-91, the department projected \$91 million in expenditures for the homeless assistance program.

Federal Oversight and Financial Participation

California's homeless assistance program was developed in response to a decision of the California Supreme Court in 1987. The decision had the effect of requiring the department to provide shelter to homeless families. The department selected the AFDC program as the vehicle through which it would provide homeless assistance because the program best met the department's goals for providing assistance to homeless families. Additionally, if the homeless assistance program were established as a component of the AFDC program, the federal government would contribute toward the cost of the program. Since the homeless assistance program was established as part of the AFDC program, many of the rules and regulations governing the AFDC program also apply to the homeless assistance program.

Although the U.S. Department of Health and Human Services (DHHS) approved the department's plan to operate the homeless assistance program, in January 1989, the DHHS identified eight deficiencies in the department's operation of the program. The DHHS's

primary concern relates to the way the department establishes its universe of cases for quality control review. The purpose of the quality control process is to ensure that the counties have handled cases properly. The quality control program also helps determine the amount of federal reimbursement due to the State. As a result of the DHHS's concerns about the quality control issue, the DHHS has withheld more than \$9.1 million in federal funds for the homeless assistance program from April 1988 through September 1989.

According to the director of the department, a number of the DHHS's concerns, particularly those related to quality control issues, should be resolved by a change in the department's procedures for claiming federal reimbursement. The department has addressed the DHHS's concerns regarding the way the quality control universe is established. The department and the DHHS are negotiating the resolution of the deficiencies identified. On January 31, 1990, the DHHS gave the department conditional approval to extend its plan to operate the homeless assistance program to July 1, 1990, to allow time to make the program changes and fully resolve deficiencies.

Although the DHHS approved the department's selection of the AFDC program as the vehicle to provide assistance to homeless families, the DHHS noted that the department had another available program that it could have selected to serve homeless families: the Emergency Assistance (EA) program. According to the DHHS's regional administrator, the advantage of the EA program is that it allows states

flexibility in constructing eligibility requirements to meet emergency situations. For example, under the EA program, states can deny assistance to families who cause their own need for assistance, such as a family that gets evicted because it failed to pay the rent for reasons that were not beyond the families' control. According to the director of the department, it did not select the EA program because the program was not available at the time because of long-term federal funding problems associated with the program.

SCOPE AND METHODOLOGY

The purpose of this audit was to address concerns about the improper use of funds by families who receive funds from the homeless assistance program. Allegations were made that there was extensive fraud in the homeless assistance program. At the department and three counties, we reviewed the systems and procedures used to detect and limit fraud and abuse. We also reviewed the counties' compliance with state law, department regulations, and county policies in implementing the homeless assistance program. We also reviewed the department's procedures for overseeing the counties' implementation of the program. Finally, we conducted tests to estimate the number of families who repeat the program and who illegally receive homeless assistance in multiple counties during the same time period. We conducted most of our review at the department and at county welfare departments in San Diego, Sacramento, and Los Angeles counties. We also visited county welfare departments in Alameda and Contra Costa counties to validate the results of our testing of counties' automated data files.

To determine the department's role in administering the homeless assistance program and whether the department has taken sufficient measures to detect fraud, abuse, and other illegal acts in the program, we reviewed the laws and the regulations that the department has developed and provided to counties to administer the program. We also interviewed department officials to obtain an understanding of how the program operates and what mechanisms the department has to detect fraud and abuse. Additionally, we reviewed the department's Homeless Assistance Payment Indicator (HAPI) system, an automated system developed to help prevent illegal payments to families in multiple counties in the State during the same 12-month period. We documented the counties' level of participation in the HAPI system and tested the accuracy of the information that the three counties we visited entered into the HAPI system. Further, we reviewed the department's quality control process, which it uses to ensure that the counties have properly implemented the homeless assistance program. We reviewed the department's procedures for selecting cases to include in the quality control reviews, and we reviewed the quality control reports that result from the reviews and that identify problems and plans for corrective action.

Further, we reviewed the department's statistical reports related to the homeless assistance program. We reviewed the Monthly Statistical Reports that the 58 counties submit to the department to report program operation and expenditure data. We reviewed the reporting procedures specified by the department, and we contacted the

18 counties with the highest numbers of approved requests for homeless assistance to determine the methods that the counties use to report the data. Finally, we reviewed the department's progress in correcting deficiencies in the program operation identified by the DHHS.

To evaluate the counties' implementation of the homeless assistance program, we interviewed county staff and reviewed county policies and procedures to obtain an understanding of the counties' responsibilities in administering the program. In addition, we reviewed a total of 83 cases from three counties (Los Angeles, Sacramento, and San Diego) to assess the counties' compliance with state law and state and county policy. The 83 cases that we reviewed represented 75 separate families; however, 8 of the families repeated the program, and we reviewed their second application for homeless assistance as a separate case. The 75 cases that we initially selected were processed by the three counties during the period from July 1, 1988, to August 31, 1989. We reviewed the homeless assistance cases to determine the eligibility of the families and the appropriateness of payments issued to these families. Additionally, we contacted the county assessor in each of the three counties and some of the landlords named in the applications for homeless assistance to verify information that had been provided by the families who requested assistance.

We also reviewed homeless assistance cases that county welfare department staff referred to their fraud detection and investigative units to determine whether counties take sufficient steps to

investigate and follow up on suspected fraud and abuse by families receiving homeless assistance. At each county's fraud detection and investigative units, we interviewed staff and reviewed policies and procedures to obtain an understanding of the process for accepting cases for investigation, conducting investigations, disposing of cases referred, and referring cases for prosecution. In each of the three counties, we reviewed any available statistical reports identifying the number of cases referred for investigation and the investigators' disposition of those cases. In each county, we also selected a sample of 15 to 20 cases that the county welfare department referred to the fraud detection unit. We reviewed these cases to assess the county's compliance with its policy for referring cases to the investigators and to evaluate the investigators' follow-up efforts.

Finally, we conducted tests to determine whether families are illegally obtaining duplicate homeless assistance in multiple counties during the same 12-month period and to determine the number of families who have received more than one cycle of homeless assistance. We requested the 19 counties that use the Case Data System, an automated case management system, and Los Angeles County to provide us with computer tapes including data files on all of their homeless assistance cases processed from February 1, 1988, to August 31, 1989.² Five

²The tapes that we received from Los Angeles County and San Diego County did not include information on all payments issued between February 1, 1988, and August 31, 1989. Specifically, the Los Angeles tape did not include information on some cases that had been closed during that period. The tape from San Diego County included only 13 months of data, from the period October 1988 to October 1989.

counties provided us tapes before we completed our fieldwork: Los Angeles, San Diego, Alameda, Contra Costa, and Tulare. We tested the data files from three counties to identify those families who have repeated the homeless assistance program and so have received more than one cycle of homeless assistance. In addition, we matched the data files of two Southern California counties (Los Angeles and San Diego) and two Northern California counties (Alameda and Contra Costa) against each other to identify families who may have received homeless assistance that they were ineligible for in a second county during the same 12-month period. We then visited the counties of Los Angeles, San Diego, Alameda, and Contra Costa to validate the accuracy of the results of our computer matches. We compared the results of our computer matches with data contained in the case files in the counties. After we had completed our fieldwork, we received computer tapes from Orange, San Francisco, and Santa Clara counties. After this report is released, our intention is to identify from these tapes the families repeating the program within each county. Additionally, we intend to match the data on the tapes from these counties and the other counties in geographic proximity that we received tapes from to identify families receiving homeless assistance in more than one county. Time constraints prevent us from including the results of our computer testing at Orange, San Francisco, and Santa Clara counties in our report. However, we intend to send the matched data to each respective county that participated in our computer testing.

AUDIT RESULTS

I

COUNTY WELFARE DEPARTMENTS AND THE DEPARTMENT OF SOCIAL SERVICES NEED TO INCREASE THEIR EFFORTS TO LIMIT FRAUD AND ABUSE IN THE HOMELESS ASSISTANCE PROGRAM

Both the Department of Social Services (department) and the county welfare departments (counties) need to strengthen their efforts to ensure that homeless assistance is provided only to eligible families. The department established regulations that outline the procedures that the counties are to follow to help ensure that homeless assistance is provided only to those families who are both homeless and eligible to participate in the Aid to Families With Dependent Children (AFDC) program. However, the counties have not always taken adequate measures to ensure that homeless assistance is provided only to those families who are both homeless and eligible to participate in the AFDC program. Similarly, the counties have not always taken sufficient steps to ensure that recipients of homeless assistance funds spend the monies that they receive on shelter. More specifically, we found the following conditions at the counties in our review:

- Counties have not always followed the necessary procedures to prevent duplicate payments. For example, counties have been slow to implement a statewide system that would allow them to screen applicants for homeless assistance to determine whether

the applicants have received assistance in another county during the year and are, therefore, currently ineligible for assistance;

- Counties have continued to make direct payments of homeless assistance to families who did not provide required verification that they spent the monies previously received on shelter;
- Counties have not always ensured that applicants provide required identification documents to allow the counties to determine the eligibility of applicants for homeless assistance;
- Counties did not take steps to recover inappropriate payments when the counties discovered that they had made payments to families even though these families were not eligible, did not use the funds for shelter, or were paid too much; and
- When the counties discovered that a family's eligibility for homeless assistance appeared doubtful, the counties did not always investigate further to ensure that an inappropriate payment would not be or had not been made.

When the counties do not take adequate measures to ensure that homeless assistance is provided to only those families who are eligible for the program, inappropriate payments of homeless assistance that may otherwise have been prevented are made to ineligible applicants. During our audit, we found numerous examples in which counties made payments to families who were ineligible for assistance or whose eligibility for assistance was questionable.

- In four counties where we tested the counties' automated data files, we confirmed that 20 families received homeless assistance that they were ineligible for in a second county during the same 12-month period;
- For at least 5 of the 83 cases we reviewed in three counties, the results of our follow-up indicated that the families were not homeless at the time they received the homeless assistance funds; in at least another 4 cases, our review indicated that the family provided false or misleading information to receive homeless assistance funds. These 9 families received \$7,810 in homeless assistance;
- For another 17 of the 83 cases, the families received \$16,720, but the homelessness of the families was questionable. In 8 of the questionable cases, after receiving a total of \$7,470 in homeless assistance, the families reported to the county

the same address that they had before they reported that they were homeless. Although there may be legitimate reasons why families would return to their previous residences, this also could raise doubts as to whether these families were really homeless or merely reported that they were to receive homeless assistance payments.

THE COUNTIES HAVE BEEN SLOW
TO IMPLEMENT THE HOMELESS
ASSISTANCE PAYMENT INDICATOR SYSTEM

According to state law, a family may receive payment for one incident of homelessness a year. However, by applying for homeless assistance in more than one county during the same 12-month period, families have received additional homeless assistance payments. In four counties, we confirmed that 20 families received homeless assistance that they were ineligible for in a second county. Some of these payments may have been prevented had the counties fully implemented an automated system that the department designed to detect applicants applying inappropriately for homeless assistance in multiple counties during the same 12-month period.

The department developed the Homeless Assistance Payment Indicator (HAPI) system after the County Welfare Directors Association expressed a concern that counties lacked a statewide tracking system for the recipients of homeless assistance. Their concern was that the

homeless assistance program was vulnerable to exploitation by recipients who traveled from county to county to obtain assistance in multiple counties during the same 12-month period. Before the HAPI system was developed, the counties had no system to determine whether an applicant had already received homeless assistance in another county other than to ask the applicant. To make the HAPI system most useful, each county must enter information on all cases that have been paid homeless assistance. Then, whenever a family applies for homeless assistance, a county eligibility worker can query the statewide system to determine whether the applicant has already received homeless assistance anywhere else in the State within the previous 12 months.

The department instructed counties to enter data and use the HAPI system to screen new applicants for all cases for which payments were made beginning in January 1989. The department also gave counties the option of entering data for payments made before January 1, 1989. However, the counties have been slow to enter data into the HAPI system. None of the three counties in our review began regularly entering information into the HAPI system in January 1989 as the department directed. The earliest that one of the three counties that we visited reported that it began entering data on homeless assistance cases into the HAPI system was June 1989, five months after the department directed the counties to begin entering the data. The second county began to regularly enter data into the system in

October 1989, and the third county began its data entry in November 1989. In April 1989, the department notified another 20 counties that those counties had no information in the HAPI system and reminded the counties that entering data into the HAPI system was a high priority.

Because the counties have been slow to enter data on their homeless assistance cases into the HAPI system, the statewide data base is incomplete, and the counties have had no effective system to determine whether an applicant has already received homeless assistance somewhere else in the State. In fact, applicants have received homeless assistance payments from more than one county for the same time period.

We conducted tests using automated case data files provided to us by four counties. We compared the information from two Northern California counties to determine whether any applicants had illegally received homeless assistance in multiple counties. We also conducted a similar comparison of two Southern California counties. From the four counties, we received information on 53,056 cases. Our automated matching indicated 85 possible instances of applicants receiving assistance in multiple counties. We visited each of the four counties and compared the results of our computer matches with data in the case files for 52 (61 percent) of the 85 possible matches. We found that in 20 of the 52 instances, families had received homeless assistance that

they were ineligible for in a second county during the same 12-month period. In total, these 20 families inappropriately received \$13,312 in homeless assistance funds in a second county.

Additionally, although the department instructed the counties to begin using the HAPI system in January 1989, as of February 1, 1990, the department had not taken sufficient steps to enforce its instruction to the counties to enter the data into the HAPI system. According to the director of the department, as of October 1989, the department had not taken additional steps to require the counties to use the HAPI system because the department did not believe such action was necessary based on the level at which the counties were using the HAPI system. (See Chapter III, pages 71 to 74, for more information regarding the HAPI system.)

COUNTIES HAVE NOT ALWAYS USED OTHER MEANS TO PREVENT DUPLICATE PAYMENTS

In addition to being slow to enter data into the HAPI system, the counties are not always using other means to prevent illegal duplicate payments of homeless assistance. As stated above, in our testing of the automated case data files at four counties, we found 20 cases in which families received homeless assistance that they were ineligible for in a second county during one 12-month period. However, our review of the case files at the counties revealed that, in 9 of

the 20 cases, before the second county made any payment of homeless assistance it had information that the family may have previously received AFDC in another county, and in 4 of these 9 cases, the county had information that the family had previously received homeless assistance in another county. Yet, for these 9 cases, there was no information in the case file to indicate that the second county followed up to determine whether the family had already received homeless assistance and, therefore, was ineligible in the second county. These 9 families received \$6,421 in homeless assistance that they were ineligible for in the second county.

COUNTIES HAVE NOT ALWAYS REQUIRED
VERIFICATION THAT HOMELESS ASSISTANCE
FUNDS WERE SPENT FOR SHELTER

In the three counties where we conducted our review of 83 case files, eligibility workers made payments of homeless assistance directly to families who did not provide evidence to verify that those funds had been or would be spent for housing.

State regulations specify that a family is not eligible for homeless assistance payments unless the family will be incurring a cost for shelter. Regulations also allow counties to request that recipients of homeless assistance provide verification that they incurred a cost for shelter. During the period that we reviewed, the policy in each of the three counties was to request that families provide verification of how homeless assistance funds for temporary

shelter were spent. State regulations further provide that if the recipient cannot provide verification of costs when requested to do so, all future payments of homeless assistance must be made directly to the shelter provider.

Typically, the counties provide temporary assistance to families in several payments. So, to determine whether eligibility workers were complying with state regulations, we reviewed whether the eligibility workers made payments directly to providers of shelter when the families could not provide receipts to verify that previously received homeless assistance funds were used for shelter. In 53 of the 83 cases that we reviewed, the families received homeless assistance payments for temporary shelter after the counties implemented the policy requiring verification of costs. In 3 of the 53 cases, the families were not required to provide receipts because the counties issued vendor or voucher payments to the families. In the remaining 50 cases, in 36 (72 percent) cases, the families did not provide the requested receipt, and in 22 (61 percent) of these 36 cases, the eligibility workers continued to make payments directly to these families rather than to the providers of the shelter. For the 22 cases, eligibility workers made subsequent payments totaling \$15,300 directly to the families.

For example, one family received temporary assistance totaling \$810 in four direct cash payments even though, after each payment, the family did not provide receipts to verify that any of the funds

received earlier had been used for shelter. Another family received homeless assistance totaling \$1,300 in four direct cash payments even though the family did not provide receipts after each payment to verify that any of the funds received earlier had been used for shelter. A third family received a direct payment of \$768 in permanent assistance although the family had not provided receipts to verify that the last two payments of temporary assistance had been used for shelter.

Additionally, regulations provide that permanent assistance will be paid only when the family presents evidence that affordable housing is available. Of the 83 cases we reviewed, in 70 cases the families received permanent assistance. Of these 70 families, 6 received a total of \$4,715 without providing sufficient verification that the funds would be used for shelter. The counties paid \$2,125 directly to 3 of these 6 families; in the other 3 cases, the counties made payments totaling \$2,590 to the reported provider of housing even though the families had provided no verification that they had found available housing.

One of the three counties where we conducted our case file review required families who received permanent assistance to verify that the funds actually were spent for shelter. In October 1989, this county began requiring that, within ten days of receiving assistance for permanent housing, families provide the county verification that those funds were actually spent for housing. If the family cannot do

so, the county attempts to recoup the funds from any future financial assistance that the family receives from the county.

Case Files Do Not Contain
Justification That Counties Paid
Additional Assistance Only With Good Cause

State law and program regulations provide that a family may receive up to 21 days of homeless assistance payments to secure temporary shelter. The law also provides that if the family can show "good cause" for needing additional assistance, the county may pay for an additional 7 days. The regulations state that good cause may include, but is not limited to, situations in which the county can determine that the family has made a good faith but unsuccessful effort to find permanent housing and situations in which the family has located housing, but it will not be available within the 21-day period of temporary assistance.

In our sample of 83 cases, in 13 cases the families at two counties received a fourth week of temporary assistance payments. Yet, in 10 of these cases, the county workers did not document in the file any reason for establishing good cause and making the additional payments. Although there is no state regulatory requirement that workers document the reason for "good cause" in the case file, in these 10 cases, there was no evidence in the file that the eligibility workers had even questioned the families as to the reason for needing the additional assistance. The 10 families received a total of \$2,168

in homeless assistance for the fourth week. In the third county, in only one of the cases we reviewed did the family receive a fourth week of temporary assistance, and the reason justifying the need was in the case file.

In September 1989, one month after the period that we reviewed, one of the counties was considering using a form that requires the family to list the address of the apartment, the name of the person contacted, and the phone number so that the county can verify the family's attempts to find permanent housing. Also, the county then could use this form to support the family's need for a fourth week of temporary assistance.

COUNTIES HAVE NOT ALWAYS OBTAINED
REQUIRED DOCUMENTS TO DETERMINE ELIGIBILITY

In each of the three counties that we visited, the county paid homeless assistance to families even though the families had not provided the required documents necessary to determine eligibility. Program regulations require that applicant families present identification documents; however, there is no clear regulatory authority for a county to deny homeless assistance if the family does not provide the documents. Nevertheless, counties should consistently attempt to obtain from the families all documents that are needed to establish the families' eligibility for the program.

State regulations provide that a family applying for homeless assistance must complete a form called "Statement of Facts for Homeless Assistance." This form requests specific information that the county will use to determine whether the family is eligible for assistance. Included in this information is the name of the caretaker relative (the person taking care of the children in the family), the caretaker's social security number, the reason that the family is homeless, and other information needed by the county to determine eligibility. Regulations also require that the family provide social security numbers and other identification documents, such as birth certificates for each of the children in the family who is receiving homeless assistance. Yet, in 12 (14 percent) of the 83 cases we reviewed, eligibility workers paid homeless assistance to families who did not provide the required identification documents. For example, in 4 of the 12 cases, the family had not completed the homeless application, the form specifically required in the program regulations. In 3 cases, there was no identification for the caretaker relative, such as a driver's license or identification card, to ensure that the person was who he or she claimed to be. In 5 cases, social security numbers were missing for either the caretaker or the children. The families in the 12 cases that were missing required identification documents received a total of \$11,175 in homeless assistance. Four of these 12 cases were also among the 26 cases in which we considered the homelessness of the family questionable. (See Chapter II, pages 49 to 52, for additional information on questionable cases.) Also, in 9 of the 12 cases that were missing identification documents, the families received assistance

for permanent housing; an application for permanent assistance requires a more complete determination of eligibility before payment is made.

When the family does not provide the required information, the county cannot ensure that all of the people in the family are who they claim to be or that the family is eligible to receive homeless assistance funds. For example, in one case, the family received \$630 in homeless assistance without providing documentation to prove that the child in the case was in fact the child of the person who received the homeless assistance funds since the mother and child had different last names. The case file indicated that the family never produced the missing identification documents during the entire three weeks that this family received homeless assistance. In another case, a family received \$2,520 in homeless assistance, but the case file did not contain sufficient identification to ensure that the mother was who she claimed to be or that the children in the case belonged to her.

COUNTIES HAVE NOT ALWAYS
ATTEMPTED TO COLLECT PAYMENTS
THAT WERE MADE INAPPROPRIATELY

Our review also disclosed that counties have not always attempted to collect homeless assistance payments that have been inappropriately made. AFDC regulations, which also apply to the homeless assistance program, provide that if a county makes a payment that is later discovered to be incorrect or inappropriate, the county can "write an overpayment" and take steps to collect the amount

erroneously paid. An "overpayment" would include a payment that is for an incorrect amount, a payment for which the recipient was ineligible, or a payment that the recipient did not use for the specified purpose, that is, for securing shelter. The county may request the recipient to return the payment, or the county may recoup the payment by deducting the amount from its future assistance payments to the recipient. (If the county deducts the payment from future assistance, the county may only deduct an amount up to 10 percent of the future monthly assistance payment.) For 3 of the 83 cases we reviewed, the counties were aware that they had made overpayments; however, we could find no evidence that the counties had attempted to recoup these overpayments. The families in these 3 cases received a total of \$2,835 in payments that should have been collected as overpayments.

In one case that the county was aware of, the family received \$595 in permanent assistance, and the case file showed that the family had not spent these funds for shelter. The \$595 payment was made to the family on September 20, 1989. On September 30, 1989, the eligibility worker learned that the family had not moved into the apartment, and the apartment manager had returned the rental deposit to the family. As of January 1990, we could find no evidence that the county had taken any steps to recoup the \$595.

In another case, the county had information that showed that a family received \$1,200 in homeless assistance in April 1989, but did not move into the residence that it said it would. Although the county

was aware by April 1989 that the family had not moved into the residence for which it received permanent assistance, as of September 1989, when we reviewed this case, the county had not taken steps to collect the overpayment. Further, as of September 1989, the family was still receiving its regular monthly AFDC grant from the county, so the county could have deducted the overpayment from the family's continuing grant. The supervisor in this district office said that the overpayment had not been collected because the case was transferred among eligibility workers before steps could be taken to collect the overpayment.

COUNTIES HAVE NOT ALWAYS INVESTIGATED SUSPICIOUS CASES

Even though each of the counties that we visited has special investigative staff to conduct investigations of cases referred to them by eligibility workers, and each county has guidelines for the workers to use in determining which cases should be referred to the investigators, the eligibility workers in the three counties did not refer to the investigators all cases that should have been referred. Also, those cases that the eligibility workers did refer were not always investigated.

State law provides that knowingly and willfully making false representations and withholding information to obtain aid to which one is not entitled is a misdemeanor. Similarly, state law provides that knowingly making more than one application for aid with the intent of

establishing multiple entitlements for the same individual for the same period or obtaining aid by claiming a false identity is a felony. Both crimes are punishable by imprisonment and fines. State regulations require counties to investigate cases in which there are grounds to suspect fraud.

In each of the counties that we visited, the county had provided guidelines for eligibility workers to use in identifying suspicious cases and determining which cases should be referred to the investigative staff for further review. The guidelines used by the counties were similar and involved the identification of certain high-risk characteristics associated with a case, including the following: frequent changes of address by a family; misuse of funds; contradictory information provided by the family; families who were previously denied or discontinued from aid because of an act of fraud, alleged fraud, or an excessive overpayment; a male caretaker; providing a mail drop or post office box as a mailing address; and other "suspicious" characteristics, such as presenting questionable documents to receive financial assistance.

In addition to referring cases to the investigators, eligibility workers at the counties can take steps on their own to follow up on suspicious cases. For example, the eligibility worker could contact landlords to verify information provided by the families on their applications for assistance. Also, in two of the three counties that we visited, the eligibility workers have access to the

county assessors' automated data files, which can be used to verify information provided by the families in their application for permanent assistance.

Counties Have Not Always
Followed Up on Questionable Cases
Nor Referred Them for Investigation

In the counties we visited, eligibility workers have not always followed up on cases themselves, nor have they always referred questionable cases to the investigative staff. Of the 83 cases that we reviewed, 17 totaling \$14,543 met the criteria that the counties use to identify cases that should be referred for investigation of possible fraud. However, only 4 of the 17 cases had been referred for investigation for possible homeless assistance fraud. For example, in June 1989, a family received \$210 in temporary homeless assistance. The following week, the family requested \$800 in permanent assistance but was denied. The county determined that the rental agreement that the family presented to the worker as evidence of its intention to secure an apartment was signed by an individual who the county determined was not the owner of the property, as the rental agreement showed. In spite of this, during the next two weeks, the county continued to make payments of temporary assistance totaling \$420 to this family but did not conduct additional follow-up or refer the case for investigation. Furthermore, this case had at least one other characteristic that should have alerted the eligibility worker to refer the case to the investigators before paying this family homeless

assistance. In April 1989, this family had been discontinued from the AFDC program based on the county's investigation of information that the family had supplied to the eligibility worker.

Because so many of the 83 cases that we sampled met the counties' specific criteria for being referred to the investigators or appeared otherwise questionable, we followed up on 14 cases by contacting the county assessor's office or the landlords listed in the case files and by reviewing county documents. We concluded that in at least 9 (64 percent) of the 14 cases, based on the results of our investigation, the families were not eligible for the homeless assistance. In one of these cases, in 1989, after receiving \$1,240 in homeless assistance, the family reported to the county the same address it had before it stated that it was homeless, raising the question as to whether this family was really homeless or had merely reported that it was to receive assistance. Also, as evidence that it had located permanent housing, this family presented to the eligibility worker a handwritten note from a manager of an apartment complex. Because this case appeared questionable to us, we attempted to verify whether the family had moved out of and into the same apartment. We contacted the individual who was the manager of the apartment complex during the time period in question. The manager said that the family had not lived at the apartment complex during the time she had managed it, nor did she know this family. We concluded that the note that this family provided to the county as evidence to get homeless assistance contained false information, and the family should not have been paid. In 1988, this same family received \$955 in homeless assistance funds.

In another case, a family received \$540 in temporary assistance in 1988. To show that it was homeless, the family provided to the county a handwritten eviction notice. The next month, the family received an additional \$650 in permanent assistance to move to another address based on a handwritten note stating that the family could move into an apartment. Since both the eviction notice and the rental agreement were signed by the same person, the grandmother of the child in the case, this case appeared questionable to us. In following up on this case, we found that, six months after the homeless assistance was paid, the case was referred for fraud investigation, not because of the homeless assistance but because of concerns about the family's regular AFDC payment. After investigating this case, the fraud investigator reported that the family had moved out of the original address in January 1989, six months after the mother had received \$1,190 because she reported she had been evicted from that residence.

We also noted that, in July 1989, this family was paid an additional \$350 in permanent assistance to move into another apartment. The eviction notice that the family presented as evidence of the family's need for homeless assistance was again signed by the grandmother. However, we could find no evidence that the county referred the case for investigation of the actual homelessness of this family before paying the second claim of homelessness even though the case met the county's criteria for referring the case to the fraud investigators. In both applications for homeless assistance, the

evidence that the family presented of its evictions was questionable since, in both cases, the eviction notices were signed by the grandmother. We investigated this case by reviewing county documents and contacting the county assessor and landlords listed in the case files. Based on our follow-up review, we concluded that this family was not homeless during any of the times during which it received homeless assistance.

In yet another case, a family received \$210 in temporary assistance and \$600 in permanent assistance. To obtain permanent homeless assistance, the mother provided the county eligibility worker with a written statement providing information about an available apartment. Yet, one month after receiving the permanent assistance to move into that apartment, the mother received additional homeless assistance funds for a utility deposit. However, the utility deposit was for the address she had reportedly lived at before she told the county that she was homeless. Since this raised concerns about the family's homelessness, we contacted the owner of the apartment for which the family had received the permanent assistance. The owner stated that this family had never lived at the apartment complex.

In cases that we reviewed in which the eligibility worker had followed up to verify information provided by the applicant for homeless assistance, the workers were able to assure themselves that the family was using the funds for shelter or were able to prevent an inappropriate payment. For example, in one case, an applicant came

into the county welfare office and received \$90 in temporary homeless assistance. The applicant stated that she could not stay with her mother anymore because her mother's house was too small to include the applicant and her child. According to the case file, approximately one hour later, the applicant returned to request \$1,000 in permanent assistance to allow her to move in with her mother. The applicant was denied this request for permanent assistance because the county believed that she changed the information that she had originally provided simply to appear eligible for additional funds. Two weeks later, the applicant returned, and, according to the county eligibility worker, requested \$550 in permanent assistance to move into a new apartment. The county staff called the apartment manager named on the rental agreement that the applicant presented as evidence of her intention to secure an apartment. The apartment manager was requesting only \$150 from the applicant to move in, \$400 less than the applicant had told the county she needed. The county paid the client the \$150.

The Investigators Have Not Always
Investigated All Cases Referred
to Them for Investigation

We also determined that the investigative staff at two of the three counties have not always investigated cases that were referred to them. One of the three counties that we visited was more aggressive in investigating homeless assistance cases. This county reported that, as of August 31, 1989, 183 homeless assistance cases had been referred to the fraud detection unit and all were investigated. Another county

reported that between January 1, 1989, and August 31, 1989, 160 homeless assistance cases had been referred for investigation, but only one of these had been investigated. The other county that we visited could not provide data on the number of homeless assistance cases referred or investigated, but the director in this county stated that the county did not have the staff to investigate all of the homeless assistance cases that were referred.

When the counties have been able to investigate homeless assistance cases, the investigators have frequently uncovered information that has prevented ineligible families from receiving payments. In one of the counties that we visited, we selected for review a sample of 15 homeless assistance cases that the county had investigated. Eight of the 15 investigations resulted in a denial, discontinuance, or reduction of homeless assistance or AFDC funds. Four of the 15 cases were investigated before permanent homeless assistance monies were paid to the applicants. In 3 of these 4 cases, the applicant was determined ineligible for homeless assistance. In one case, for example, the applicant requested \$1,410 in permanent assistance. The investigator found that the applicant did not live where she claimed she did, and her application for permanent assistance was denied because she had knowingly provided inaccurate information in an attempt to obtain financial assistance. Of the remaining 11 cases that were investigated after homeless assistance had been paid, in 5 cases AFDC assistance was discontinued or denied or the amount of assistance was reduced because the families did not live at the

addresses they had originally reported to receive homeless assistance. In another county, early fraud investigations showed that 3 out of the 15 cases we reviewed resulted in a determination that the applicant was not eligible for funds.

COUNTIES REPORT MULTIPLE REASONS FOR DIFFICULTY IN ADMINISTERING THE PROGRAM

County officials reported that a number of factors contributed to the conditions that we found. Officials in each of the three counties noted that the inception of the homeless assistance program brought an increased workload to the counties. One county reported that it was still experiencing staffing shortages that it believed contributed to the problems we found. This county reported that it unsuccessfully tried to get additional staff to carry out the additional activities associated with the homeless assistance program. The county stated that it could not get additional staff because, although the State would provide additional funds to match any funds that the counties set aside to administer the homeless assistance program, the county was unable to set aside its own funds so that it would become eligible to obtain matching funds from the State. This county provided us a report from a consultant it hired to do a staffing analysis of the county's Department of Social Services, the department that administers the county's homeless assistance program. The report noted that the county did not employ enough eligibility workers to contain error rates.

Another county reported that it was adequately staffed to manage the homeless assistance program. It shifted staff from other areas to handle the homeless assistance program, but the result was a shortage of staff in other areas. Consequently, some functions of a lower priority than the homeless assistance program have been temporarily waived. The third county reported that it had increased staff for fiscal year 1989-90 to handle the workload of the homeless assistance program.

Another factor contributing to inappropriate payments is the requirement to make the payments within the statutorily required time frames. The law establishing the homeless assistance program requires that requests for temporary assistance must be granted or denied on the day that the request is made, and requests for permanent assistance must be granted or denied within one working day from the time the family presents evidence that permanent housing is available. Officials in one of the three counties said that these time constraints severely limit the time that the counties have to verify eligibility information provided by applicants and to properly investigate suspicious cases before payments are made. (See Chapter II for a more detailed discussion of the limitations of some of the laws and regulations of the homeless assistance program.)

Officials in two of the counties stated that another reason that the homeless assistance cases are not always investigated is that they generally involve lower dollar amounts and less potential for

recovery than other cases that the counties have to investigate. Since the counties have limited staff to conduct investigations, cases are ordered according to priority based on the dollar value and the potential for recovery of the payment.

Moreover, officials at the three counties where we conducted most of our audit fieldwork stated that the counties were slow to enter data into the HAPI system because they needed time to make the technical modifications to their automated data systems so they could transmit the information to the department for input into the HAPI system.

Finally, officials in one of the counties we visited stated that vagueness in program regulations contributed to at least two of the problems we identified. Although regulations of the homeless assistance program require families to provide identification documents, officials in this county said that there is no clear authority in the regulations to require families to provide identification. The county reported that at one time it had required applicant families to provide identification before the county would grant homeless assistance. However, the county reported that the department did not support the county's position. This county also reported that vagueness in program regulations could have contributed to the problems we found in eligibility workers not documenting the families' need for a fourth week of temporary assistance. The county stated that although program regulations require families to make a

"good faith" effort to find permanent housing, the department has not defined what constitutes "good faith." In the absence of a clear definition, the county reported that staff will encounter problems making eligibility decisions.

COUNTIES HAVE ACTED TO IMPROVE THEIR ADMINISTRATION OF HOMELESS ASSISTANCE

Counties are responsible for using all available means to ensure that homeless assistance payments are made only to truly eligible applicants. Each of the counties that we visited has made some improvements to its administration of the homeless assistance program. For example, one county that used to make initial payments for temporary homeless assistance in seven-day increments now makes the initial payment for only a two-day period. This allows the county to commit only two days of homeless assistance funds instead of seven days, allowing the counties time to verify the information provided by the family. If the county determines that the family is ineligible, it has inappropriately paid homeless assistance for only two days rather than seven.

Each of the counties that we visited adopted a policy as of July 1, 1988, that requires families to provide receipts to verify that temporary homeless assistance funds previously received were spent for shelter even though state regulations do not mandate this practice. If the recipient cannot provide receipts, future homeless assistance payments must be made directly to the provider of shelter rather than

to the recipient. Also, one of the counties implemented a policy in October 1989 that requires recipients of permanent housing assistance to provide documentation of how those funds were spent within ten days of receiving the funds. Documentation can include, for example, receipts for security and utility deposits. If the recipient cannot provide this documentation, county policy requires that the homeless assistance payment be considered an overpayment and that steps be taken to recoup the funds.

Additionally, we found that the three counties are generally making homeless payments within the required time frames and are correctly computing the amount of assistance based on family size and the maximum number of days counties are allowed to issue payments. In none of the cases that we reviewed did we find that the county had paid an incorrect amount, and in only one case did the county not make the payment within the statutorily required time frame.

CONCLUSION

Both the Department of Social Services and the county welfare departments need to take stronger measures to prevent fraud and abuse in the homeless assistance program. In our review, we found cases in which homeless assistance recipients did not use the funds for housing, received assistance in multiple counties for the same time period, and provided false receipts and rental agreements to verify that funds received were used

for housing. We also found families who received homeless assistance funds but were not homeless. Such abuse occurs, in part, because counties are not taking sufficient steps to ensure that homeless assistance is provided to only eligible applicants.

County officials reported that they are limited in the steps they can take to reduce program abuse and fraud by a number of factors. Counties report that the homeless assistance program increased their workload, and they have had to make staffing adjustments. Additionally, the statutorily mandated time frames in which counties must either grant or deny homeless assistance requests limit the time that a county has to verify information provided by applicants to more carefully determine eligibility. One county reported that vagueness in program regulations contributed to problems in administering the homeless assistance program.

Additionally, the three counties we visited have been slow to implement the Homeless Assistance Payment Indicator system, an automated detection system to identify applicants applying for assistance in multiple counties during the same time period. Officials of these counties stated that they needed time to make technical modifications to their automated systems so they could transmit the information to the department. Further, the department has not taken steps to enforce its instruction to the counties to use the HAPI system.

RECOMMENDATIONS

To reduce fraud and abuse in the homeless assistance program, the Department of Social Services should take the following actions:

- Take necessary steps to ensure that all counties enter data on homeless assistance cases into the Homeless Assistance Payment Indicator system;
- Require counties to follow up to determine eligibility for homeless assistance when the counties have evidence indicating a family may have previously received assistance elsewhere in the State;
- Ensure that counties require families to provide verification of how all homeless assistance funds were spent before any additional funds are provided to the families. If the families cannot provide such verification, all future payments should be made directly to the provider of shelter;
- Pay permanent assistance only when the family presents evidence that affordable housing is available, as required by departmental regulations;

- Develop a form for counties to use that documents a family's search for permanent housing. The county could also use this form to verify a family's need for a fourth week of temporary assistance;
- Require counties to always attempt collection of any identified overpayments made to families;
- Require counties to refer all cases that meet the counties' criteria for investigation to the counties' investigative units;
- Encourage counties to consider the cost-effectiveness of hiring additional staff, so they can more thoroughly follow up on and investigate suspicious cases; and
- Develop a system of ongoing review to more thoroughly evaluate the counties' implementation of the homeless assistance program and to ensure that the counties comply with all departmental requirements.

II

LAWS AND REGULATIONS FOR THE HOMELESS ASSISTANCE PROGRAM PROVIDE FOR LIMITED ACCOUNTABILITY AND ALLOW QUESTIONABLE PRACTICES

Although the homeless assistance program meets a need to provide housing for homeless families, certain aspects of the program design, including the statutes that established the program and the regulations that implement the program, provide for limited accountability and allow questionable practices by families who receive homeless assistance. By design, the program is intended to immediately address an emergency situation, in which a family who applies for financial assistance is actually homeless at the time it applies. The program is intended to provide shelter for the family starting on the same day that it applies for assistance. However, the need to immediately respond to homeless families limits the amount of time a county has to ensure that the applicant family is truly homeless and eligible for the program. While limited time may be an unalterable condition, program regulations could be amended to provide additional safeguards to ensure that homeless assistance is provided only to homeless families without sacrificing the program goal of responding immediately to homeless families. Regulations could also require more formal verification that families have actually spent their homeless assistance funds for shelter. Finally, regulations could be strengthened by paying homeless assistance directly to the provider of shelter for families who repeat the program, thereby providing additional assurance that the funds are spent for housing.

THE HOMELESS ASSISTANCE PROGRAM
IS DESIGNED TO IMMEDIATELY
RESPOND TO HOMELESS FAMILIES

Our review revealed that the homeless assistance program is meeting a need in providing financial assistance for homeless families to secure housing. In reviewing 83 case files at three counties, we found cases in which the program was successful in meeting the need of its intended population. For example, in one case, the family was homeless and the mother, a single parent, was unemployed. She received \$1,060 in homeless assistance payments in July and August 1989 and also enrolled in the Aid to Families With Dependent Children (AFDC) and Food Stamp programs. She spent the homeless assistance funds to obtain housing for her family. Two months after initially receiving the homeless assistance funds, the mother found a job and subsequently was able to discontinue from the other assistance programs. We found two other cases in which the mother and children left the father and were homeless; in one of these cases, the mother and children left a violent home. The program allowed both of these women to provide shelter for their families. In another case, a pregnant woman, who had been living with her father, was asked to leave because the landlord did not allow children in the apartment complex. She received \$490 in homeless assistance funds to move into permanent housing, and according to county records, was still at that address one year later. We also found a case in which a family received \$300 in assistance to find permanent housing but never spent the money for housing, so it returned the money to the county.

Limitations of Program Design

One of the primary strengths of the homeless assistance program, its ability to immediately respond to homeless families, also limits the counties' ability to ensure that homeless assistance funds are provided to only eligible families. Because the counties need to respond to a family's homelessness by providing immediate shelter or cash assistance to secure that shelter, the county does not always have time to verify the information provided by the applicant or to confirm the applicant's eligibility for the program before the county must grant or deny the homeless assistance payment.

State law requires that when a family requests assistance to find temporary shelter, the county must grant or deny the application "immediately upon the family's application for homeless assistance." In the regulations, the department requires that counties issue or deny payments for temporary shelter on the same working day that the family requested the assistance. When a family applies for assistance to secure permanent shelter, statutes require that the county grant or deny the application within one working day from the time that a family presents evidence of availability of permanent shelter.

Because of these time constraints, the county does not have much time to verify the information provided by the family. Furthermore, if the family does not provide all necessary documents to establish program eligibility, there is insufficient time to require

the family to obtain the proper documentation and return with it before the county is required to pay the family or deny the application. Further, state law requires the county to pay the applicant homeless assistance for temporary shelter if the applicant is "apparently eligible." According to the law, apparent eligibility exists when evidence and information provided by the applicant indicates that the applicant would be eligible if the evidence and information were verified by the county. All of the above factors limit the time a county has to take steps to ensure that program funds are provided only to eligible families and are used for the purpose of providing shelter.

REGULATORY CHANGES COULD IMPROVE PROGRAM CONTROLS

To meet the needs of the intended population, the program must be somewhat flexible. However, the current structure of the program provides a degree of flexibility that results in limited accountability from and questionable practices by families who receive homeless assistance. Program regulations could be expanded to provide additional controls without negatively affecting the ability of the program to meet its goal of immediately responding to the homelessness of families. The following discussion details possible amendments to program regulations that would provide greater assurance that the homeless assistance funds are used as intended.

Program Regulations Lack Sufficient
Safeguards To Ensure That Homeless Assistance
Is Provided Only to Eligible Applicants

State law specifies that homeless assistance funds are only for those families who are actually homeless at the time of application. To apply for the homeless assistance program, an applicant must simply state that the family is homeless, has liquid resources of \$100 or less, and has not received homeless assistance from the State within the last 12 months. Neither state law nor program regulations require the county to verify the homelessness of the applicants or to determine the circumstances that led to their homelessness.

Recent audit findings show, however, that the counties need to do more to verify the homelessness of applicant families. In September 1989, the U.S. Department of Health and Human Services (DHHS) conducted a review of homeless assistance cases in one county in California. The DHHS concluded that, in at least 9 cases (20 percent) of 46 cases reviewed, the recipient was not homeless.

In the sample of 83 cases that we reviewed at the three counties, we found evidence in the case files that indicated the homelessness of the recipient was questionable in at least 26 (31 percent) cases. For example, in 8 of these cases, after receiving a total of \$7,470 in homeless assistance funds, the families reported to the county welfare department the same address they had before they

applied for homeless assistance. While there may be legitimate reasons why families would return to their previous residences, this could also be an indication that the families were not actually homeless but had merely reported that they were to receive homeless assistance funds. The families in 4 of these 8 cases received assistance to move into permanent housing, and 2 of these families received four weeks of temporary assistance and then permanent assistance to immediately return to the apartment from which they were reportedly evicted. We also determined cases to be questionable if they met the criteria used by the counties to identify those cases that should be referred for investigation. The 26 cases that we considered questionable received a total of \$24,530 in homeless assistance.

We were able to investigate 14 of the 26 cases that we considered questionable by verifying information provided on the application documents with the landlords named on the documents and the county assessors. In 5 of the 14 cases, the results of our follow-up indicate that the recipient was not homeless at the time of application, and in another 4 of the 14 cases, our review indicates that the family provided false or misleading information to receive the homeless assistance funds. The 9 families who we concluded were not homeless or who had provided false or misleading information received a total of \$7,810 in homeless assistance funds.

In Chapter I, pages 31 to 33, we discuss in detail three cases that we investigated in which we determined that the families should not have received homeless assistance. In two cases, the families received \$1,240 and \$810, respectively. We contacted the landlords named in the case files, and both landlords reported that the families had not lived at the addresses that they provided to the county to qualify for permanent assistance. In the third case, the family received \$1,190 in 1988 but was not homeless at the time it received the funds and, in fact, still lived at its prior address. This family also received homeless assistance in 1989 at a time that we concluded it was not homeless. Further, in following up on this case, we discovered that both grandmothers of the child in this case received homeless assistance with questionable evidence of homelessness (one grandmother lived with the family); the mother's cousin also received homeless assistance with questionable evidence of homelessness and once was denied homeless assistance because the county determined that she had provided conflicting information and the county did not consider her homeless.

Further, in at least 3 of the 26 cases in which we questioned the families' homelessness, there is evidence in the counties' records that families did not use \$2,325 in homeless assistance that they received for housing. In one case, a family received \$315 in temporary assistance and \$1,200 to move into permanent housing in March and April 1989, but the family never moved to the new address. Between April and September 1989, the mother reported four different addresses

to the county. None of these addresses was a permanent address, and in two instances, when the county tried to verify the addresses reported by the family, the person reportedly providing the shelter denied that the family was living there. County records also show that this mother has a history of not informing the county when she does not have her children living with her and is, therefore, ineligible for assistance. In addition, the records show she has a history of receiving funds that she knows she is not entitled to. This family also received \$330 in homeless assistance in March and April 1988.

To respond to occurrences such as these, the department is considering amendments to regulations that would provide additional safeguards to ensure that homeless assistance funds are provided only to families who are truly homeless. Some of the proposed amendments to the regulations include the following:

- Assistance for permanent housing would not be available to assist a family to return to a prior residence;
- A family would not be eligible for homeless assistance if the family has a legal right to a residence unless the residence is uninhabitable or the family has been legally evicted; and
- Homeless assistance payments would be paid directly to the provider of shelter when the family's homelessness is the result of the family's failure or inability to pay rent

without good cause. The "guidelines" for the counties to use in determining good cause include the following:

- Were the homeless assistance funds spent for some emergency or extraordinary reason?
- Did the family's expenses for necessary bills exceed available income?
- Did the family withhold payment of rent as an exercise of consumer rights because of a legitimate dispute as to the terms of the rental agreement?

Providing additional safeguards such as those described above would help to limit the payment of homeless assistance to families who are truly homeless.

Regulations Do Not Require Sufficient
Verification That Homeless Assistance Funds
Are Used for Shelter

State regulations require that a family must incur a cost for housing to receive homeless assistance funds. Additionally, current regulations provide that counties may request verification of how homeless assistance funds were spent. If the family cannot provide receipts to show that the funds were used for housing, the county must

make future payments directly to the person providing the shelter, rather than making payments directly to the homeless family.

Although the regulations allow the counties to request verification of how the homeless assistance funds were spent, there are no restrictions on the types of receipts that a county may accept as evidence that the homeless family spent or intends to spend the funds on shelter. In our review of the case files at the three counties, we found receipts that included formal printed agreements from rental companies, blank forms available at a stationery store, and handwritten receipts. One of the reasons for the variety of receipts is that homeless families often find temporary or permanent housing with friends and relatives. Of the 83 cases that we reviewed, in 19 cases (23 percent) the families found housing with family or friends. In most instances, the families provided to the county receipts handwritten by family or friends on plain paper as evidence that homeless assistance funds were used for housing.

Many of the receipts that we reviewed provided questionable evidence that homeless assistance funds were used for housing. For example, one family received \$490 in homeless assistance and provided receipts to verify that some of these funds were used for housing. The family also provided two receipts to document other expenses for its AFDC grant. Although the receipts were supposedly from three different sources, all of the receipts were on an identical form that can be purchased by the book at a stationery store. Further, the receipts

were closely numbered: a June 1988 receipt was numbered 20406, a September 1988 receipt was numbered 20407, and two July 1989 receipts were numbered 20409 and 20412. We contacted the landlord of the apartment building that was listed on one of the receipts. The landlord said that the family had never lived at the apartment.

We also found that counties paid permanent assistance to families on the basis of handwritten statements and rental applications, rather than rental agreements. Current regulations do not require that counties obtain more formal evidence of a family's intent to rent permanent housing. In one case, a family received \$300 in cash to establish a permanent residence. To show that it intended to obtain an apartment, the family provided the county an application to rent an apartment. County records show, however, that the county subsequently contacted the landlord who stated that the family only stopped by the apartment complex to pick up a rental application and never moved in. County records indicate that the recipient moved a number of times in the succeeding months. The county never recouped the money from the client or established an overpayment because the county temporarily lost contact with the client.

In another case, a family using only a rental application received a direct payment for \$600 to obtain permanent housing. However, the family never moved into the apartment for which it was paid assistance. Instead, over the next three months, the family reported at least three addresses to the county. However, at least two

of the address changes that this family reported to the county are false. We contacted the landlords for two of the addresses, and in both cases, the landlord said that the apartment had been rented to someone else at the time in question.

Regulations could be amended to require more formalized verification of how funds are used and to provide more assurance that funds are used for housing. For example, counties could encourage applicants for permanent housing to submit rental agreements rather than rental applications. In cases in which that was not possible or in cases when families are temporarily staying with or renting permanent housing from family or friends, counties could provide a form on which the recipient families could certify under penalty of perjury that they are paying rent. This form could also specify the address where the family is living. The form could state the penalties for purposefully providing misleading information. (Current law specifies a jail term or a fine up to \$500, or both for providing misleading information to obtain aid. If any person does receive aid as a result of providing false information, the law imposes either imprisonment of up to three years or a fine of up to \$5,000, or both.)

At least two of the counties that we visited already have a form similar to that described above. One county has a form called "Affidavit of Living Situation" that is to be completed by shelter providers when one family is sharing housing with another. The form requires the provider to give information such as where the family is

staying, how long it has been there, and how much it is paying. However, the form does not include information on the penalties for providing misleading or false information. Another county has a form that is not specific to the homeless assistance program, but it is used to obtain information from welfare recipients, and the provider of the information is asked to certify that the information is accurate. This form provides space for the recipient's statement of information and signature and also states the penalty for perjury. We found this form used in several cases in which the recipient stated that he or she had lost rental receipts; however, it was not used in every case in which the recipient provided no receipts.

Regulations could also be amended to require families who receive permanent assistance to return to the county welfare department within a specified time period with receipts to verify that the homeless assistance funds were spent for permanent housing. If the family does not provide the verification, the county could attempt to recoup the homeless assistance funds from any future financial assistance the county would provide to the family. As mentioned in Chapter I, page 22, at least one county is already taking such action to verify that permanent assistance funds were used for housing.

Regulations Provide No Assurance
That Families Who Repeat the
Program Spend the Funds for Shelter

State law and regulations allow families to reapply for homeless assistance every 12 months. If a family is again homeless 12 months after receiving homeless assistance funds, and the family still meets other eligibility requirements, the family can again receive up to four weeks of temporary assistance and permanent assistance in the amount of the last month's rent and security and utility deposits on a rental dwelling. However, in our review of case files, we found cases in which it appeared that families who were applying for a repeat instance of homeless assistance were not homeless. Additionally, both the department and the counties have expressed concerns about families who experience multiple instances of homelessness. In spite of this, neither state law nor state regulations require the counties to take additional steps to ensure that these families actually spend the homeless assistance funds that they receive on shelter. For example, current state regulations do not prevent a family who repeats the program from receiving direct cash payments rather than payments made to the shelter provider.

The department does not regularly collect statistics on the number of families who have received homeless assistance more than once. To determine the number of families who received homeless assistance in a second 12-month period, we tested the automated data files of three counties. The data files from the three counties

contained information on 22,426 cases. Our automated testing indicated 869 (4 percent) possible cases of families repeating the program.³ We visited these counties to validate the results of our automated testing. Our validation revealed that 145 (99 percent) of the 146 possible repeat cases that we validated did, in fact, receive homeless assistance in a second period.

There may be numerous occurrences beyond a family's control that may cause a family to become repeatedly homeless through no fault of its own. However, we also found cases in our sample in which the family was repeating the program under suspicious circumstances and possibly was not homeless or was not using the homeless assistance funds for housing. Additionally, one of the counties that we visited included repeated instances of homelessness as one of the characteristics to consider in identifying cases that should be referred for investigation. Further, in its proposed amendments to the program regulations, the department recognizes that repeated instances of homelessness may indicate that a family is mismanaging its homeless assistance funds.

Of the 75 individual families' cases that we reviewed, 8 (11 percent) families repeated the program the second year that they

³See page 4 of the Introduction to this report for an explanation of why we believe the 4 percent figure understates the true population of families who repeat the homeless assistance program.

were eligible. Five of the 8 who repeated the program were also among the 26 cases in which we considered the homelessness of the family questionable. (See pages 49 to 52 for more information on these 26 cases.) For example, one family received \$720 in temporary and permanent homeless assistance in 1988. In 1989, the family received an additional \$630 in temporary assistance even though it submitted questionable receipts. However, in 1989, the family was denied its request for \$800 in permanent assistance because the county discovered that the rental agreement that this family presented as evidence of its intent to secure permanent shelter was signed by an individual who the county determined was not the owner of the property, as the rental agreement showed. In another case, a family received \$1,190 in homeless assistance in 1988 and also received \$350 in homeless assistance in 1989. Yet, based on our review, we concluded that this family was not homeless during either period that it received homeless assistance.

Although a family may become repeatedly homeless through no fault of its own, if the regulations were amended to provide only vendor payments in those cases when the family is repeating the program, the program would still provide funds for housing and would provide additional assurance that the funds were being used for housing. Additionally, eliminating direct cash payments may also discourage those families who are not truly homeless from reapplying for homeless assistance.

In a study of one California county in September 1989, the DHHS noted that cases in which the family is repeating the homeless assistance program are more error prone than other cases. In that same report, the DHHS recommended that the department consider making all payments for permanent assistance directly to the provider of shelter or utilities.

As we discuss in the following section, the department is considering regulatory changes that would put more restrictions on families repeating the homeless assistance program. Proposed regulations would require counties to make homeless assistance payments directly to the provider of shelter if the family has received homeless assistance within the previous 24 months.

The Department Is Considering Changes to Program Regulations

When the regulations for a program such as the homeless assistance program provide for such limited accountability from those assisted by the program, this may encourage families to participate in the program even though they are not eligible. Although the homeless assistance program must provide enough flexibility to allow the counties to immediately respond to homeless families, state regulations could be amended to provide more accountability without minimizing the ability of the program to immediately serve homeless families.

As we discussed previously in this chapter, the department is currently considering changes to program regulations that would provide additional assurances that the program is properly administered. The department had to implement the homeless assistance program in a short period of time. The program was developed to respond to a court order requiring the State to provide shelter to homeless families. The governor signed the law establishing the homeless assistance program in September 1987, and the law became effective February 1, 1988. The regulations under which the program operates were developed as "emergency regulations." The department expects the proposed amendments to the regulations to be finalized and implemented by December 1990.

Other states have developed programs that provide financial assistance to homeless families but also provide some controls that California's program does not now have. At least one state that provides rental and utility deposits to the homeless makes these deposits available one time only. The family cannot receive these payments annually as they can in California. Some other states provide homeless assistance through a program other than the AFDC program. According to the regional administrator of the DHHS, those states using the Emergency Assistance program (another federal program) as the vehicle to provide homeless assistance have more options in constructing eligibility requirements than the AFDC program allows. For example, states can prohibit issuance of homeless assistance to

families who have caused their own homelessness, such as families who caused their own eviction by failing to pay rent for reasons that were not beyond the families' control.

CONCLUSION

Although the homeless assistance program meets a need to provide shelter for homeless families, certain aspects of the program provide for limited accountability and allow questionable practices by recipients. In 83 cases that we reviewed, we found that some recipients of homeless assistance funds were not homeless or provided false information to receive the funds and that some recipients did not use the funds for shelter. We also found cases in which the family was repeating the program under suspicious circumstances and possibly was not homeless or was not using the funds for housing.

Both the need to immediately respond to a homeless family and program legislation limit the amount of time and, thereby, the controls a county has to establish a family's true need and eligibility for homeless assistance. Additionally, the program must maintain a sufficient amount of flexibility to be accessible to its intended population. Although these conditions may be unalterable, program regulations could be

amended to provide additional controls and accountability without sacrificing the program goal of providing shelter to homeless families.

RECOMMENDATIONS

To increase accountability and limit questionable practices by families who receive homeless assistance, the Department of Social Services should take the following actions:

- Expedite approval and implementation of its proposed amendments to the regulations of the homeless assistance program; and
- Consider the following additional changes to its regulations for the program:
 - Require counties to encourage families to provide formal rental agreements whenever possible to demonstrate the landlord's intent to rent to the families before making payments for permanent assistance;
 - Develop a standardized form that families would complete whenever a formal rental agreement or receipt cannot be provided. The form should include a statement of liability for providing false information and should be

signed under penalty of perjury. The form should be used to verify both temporary and permanent housing;

- Require families to provide verification that permanent assistance funds received were used for housing. If the family cannot provide the verification, the county could consider the payment an overpayment and attempt collection of the funds. At least one county is already doing this; and
- Make payments to the provider of shelter for all families who repeat the program.

III

THE DEPARTMENT OF SOCIAL SERVICES AND THE COUNTY WELFARE DEPARTMENTS NEED TO IMPROVE THEIR DATA BASES FOR THE HOMELESS ASSISTANCE PROGRAM

To effectively manage the homeless assistance program, the Department of Social Services (department) and the county welfare departments (counties) need accurate, readily available information about the program. However, both the department and the counties could improve some of their management information systems related to the homeless assistance program. For example, although the department requires the counties to submit Monthly Statistical Reports that detail the program's activity and expenditure levels, the counties differ on how they complete the monthly reports. Therefore, the information reported by the counties is not comparable among counties. Further, in Chapter I of this report, we pointed out that the counties have been slow to implement the Homeless Assistance Payment Indicator (HAPI) system, and as a result, the data contained in the HAPI system is incomplete. However, in this chapter of the report, we point out that the data contained in the HAPI system is still incomplete for some counties that have reportedly entered their data, and the data is also not always accurate. Consequently, the HAPI system is not effective to detect multiple applications for homeless assistance by the same family during the same 12-month period. Finally, the department does not separately identify homeless assistance cases in the quality control reviews that it conducts to monitor counties' administration of the Aid to Families With Dependent Children (AFDC) and homeless assistance

programs. As a result, the quality control reviews do not provide the department a way to readily identify error patterns in the homeless assistance program or a way to develop appropriate corrective action. Moreover, there is no practical way to determine whether a sufficient number of homeless assistance cases are included in the quality control process to make it a viable means of monitoring the homeless assistance program.

COUNTIES DIFFER IN THE WAY THEY REPORT DATA IN THE MONTHLY STATISTICAL REPORTS

A source of the department's statistical information about the homeless assistance program is the Monthly Statistical Report that each county submits to the department. One of the purposes of the Monthly Statistical Report is to collect data on each county's homeless assistance workload. The reports identify the number of approved requests for temporary assistance and separately identify the number of approved requests for permanent assistance. However, we found that the counties differ in the way that they report data to the department on the Monthly Statistical Report. To validate the accuracy of the data the counties report to the department, we contacted 18 of the 58 California counties and determined that the counties report the data in at least three different, noncomparable formats. Fourteen (78 percent) of the 18 counties prepare the reports according to the department's instructions. These 14 counties count the initial temporary assistance payment issued as one request approved and count the permanent assistance payment issued to the same family as another

request approved. Three of the 18 counties, however, use a second method of reporting. They report temporary assistance payments that begin in one month and end in another month as two incidences of temporary assistance. Specifically, if a family's cycle of temporary assistance begins in one month and ends in another month, the county reports the temporary assistance as one request approved for the first month and again as another request approved in the next month. Another of the 18 counties we contacted uses a third method of reporting. It reports each temporary assistance payment issued. For example, if a family receives four payments for temporary assistance, the county counts these as four requests approved for temporary assistance even though they were all payments issued to the same family. Each county we contacted counted payments for permanent assistance to a family as one approved request for permanent assistance. To make the Monthly Statistical Report an effective source of information about the homeless assistance program statewide, the counties need to report comparable data. When the counties use various counting methods, the department cannot compile an accurate report of the data.

Counties differ in the way that they have completed the Monthly Statistical Report because not all counties have correctly understood the reporting instructions provided to them by the department. Moreover, according to the chief of the department's Statistical Services Bureau, the bureau does not have the resources to conduct site visits to ensure that counties are correctly and uniformly

reporting information to the department. The Statistical Services Bureau does review the reports submitted by the counties to identify obvious discrepancies from one month's report to the next; however, they do not verify the accuracy of the data reported.

We also noted that the department does not collect statistics on the number of families served by the program or the number of individual cases approved, and the Monthly Statistical Reports do not reflect a comparable number. Since the monthly reports are designed to identify the number of approved requests for temporary assistance separately from the number of approved requests for permanent assistance, using the monthly reports to estimate the number of families served could significantly overstate the number of families who have received homeless assistance and the number of cases approved. For example, a family that receives both temporary and permanent assistance (as 60 percent in our sample of 83 cases did) would be counted twice on the monthly report.

It could be useful for the department to collect statistics on the number of families served. For example, the Legislature may wish to have this information to use to evaluate the effectiveness of the program. Additionally, knowing the number of families served and cases approved could be useful to the department for program management and planning purposes.

THE QUALITY OF DATA IN THE
DEPARTMENT'S HAPI SYSTEM
NEEDS IMPROVEMENT

The data in the department's HAPI system, an automated detection system to prevent duplicate homeless assistance payments, is incomplete and, in some instances, incorrect. The HAPI system was designed to give counties immediate information to determine whether an applicant had already received homeless assistance anywhere in the State during the previous 12 months. Although some counties have reported that they entered data on their homeless assistance cases into the HAPI system, we could not locate in the system some of those cases. Additionally, the data entered into the HAPI system is not always accurate. Consequently, the HAPI system is not effective to detect applicants for homeless assistance in multiple counties during the same period.

The department made the system available to counties in January 1989 and directed the counties to enter information on all cases of families who receive homeless assistance as of that month. The department gave counties the option of entering data for payments made before January 1, 1989. Data in the HAPI system includes the recipient's name, social security number, date of birth, payment authorization date, type of payment issued (temporary or permanent assistance), and county district office. To prevent issuing duplicate payments, counties should query the HAPI system at the time a family

applies for homeless assistance to determine whether the family has already received homeless assistance within the previous 12 months anywhere else in the State.

To validate the accuracy of the data in the HAPI system, we compared the data from 83 homeless assistance case files that we reviewed in three counties with the information in the HAPI system. At the time that we conducted our test, on January 8, 1990, one of the three counties reported that it did not begin entering data on all cases until November 1, 1989, so none of the cases in our sample from this county should have been in the system. The second county reported that it had entered data on cases since April 15, 1989. The third county reported that all of its homeless assistance cases had been entered into the HAPI system. (See Chapter I, pages 16 to 19, for more information on the slowness of the counties in entering data into the HAPI system.) According to the information provided by the counties, 37 of the cases from our case file review at two counties were processed after the dates that the counties reported they began regularly entering data into the HAPI system. Therefore, we should have been able to locate these 37 cases in the system. However, we found only 18 (49 percent) of the 37 cases in the HAPI system.

For example, in our case file review at one of the counties, we found one family who had inappropriately received homeless assistance twice within that county within a 12-month period: once for \$1,285 in November 1988 and a second time for \$2,585 in July and

August 1989. Yet, although this county reported that all of its cases were in the HAPI system, we could find neither of the above instances of homeless assistance recorded in the HAPI system as of January 8, 1990. When the data in the HAPI system is not complete, the usefulness of the system is impaired.

Further, for 16 of the 18 sample cases that we found in the HAPI system, the payment data in the system was not accurate. In these 16 cases, the dates that the homeless assistance payments were made according to the data in the HAPI system did not match the payment dates we gathered from our review of the case files at the counties. In most instances, the date entered into the HAPI system was later than the actual payment date. However, the differences were for relatively short time periods, ranging from one day to three weeks. The effect of the error in these instances would be that the HAPI system would indicate that the family would not be able to receive a second cycle of homeless assistance until one day to three weeks later than it truly should have been able to receive it.

However, for 2 (13 percent) of the 16 cases with inaccurate payment data, the payment date in the HAPI system was significantly different from the payment date in the case file. For example, according to the data in one case file, the family received \$1,550 in homeless assistance in May and June 1989. Yet, the payment was recorded in the HAPI system as having been made in June 1988. Consequently, the HAPI system would indicate that the family was

eligible for another cycle of homeless assistance payments as of June 1989 when, in fact, it would not be eligible until May 1990.

A factor contributing to the inaccurate and incomplete data in the HAPI system is the fact that, according to the chief of the department's Fraud Program Management Bureau, the department has not monitored or tested the information that the counties enter into the HAPI system to ensure that the counties report accurate data. Further, the department does not have the resources to conduct site visits and monitor the information that the counties report to the department to ensure its accuracy. Additionally, the chief stated that the department's first priority was to develop the HAPI system and inform counties to use it. He stated that the department plans to test the data in the HAPI system in the future.

THE DEPARTMENT DOES NOT SEPARATELY
IDENTIFY HOMELESS ASSISTANCE
CASES FOR QUALITY CONTROL

The department conducts quality control reviews to assess, among other things, whether the counties are properly administering the homeless assistance program. However, in conducting its quality control reviews, the department does not separately identify those AFDC cases that include a homeless assistance component. Consequently, the quality control process does not provide the department a way to readily identify problems or develop corrective actions specific to the homeless assistance program. Further, because the department does not

identify the homeless assistance cases, there is no practical way to determine whether a sufficient number of homeless assistance cases are included in the quality control review to ensure that the review is an effective means of monitoring the homeless assistance program.

To meet federal requirements for the AFDC program, including the homeless assistance program, the department conducts federal quality control reviews of the AFDC and homeless assistance cases. In addition, the department conducts a state quality control review that is patterned after the federally required review. The purpose of these reviews is to identify errors made in administering the program and to develop corrective actions to reduce payment error rates. The quality control reviews are one of the ways that the department monitors whether the counties are properly administering the assistance programs.

In conducting these reviews, the department selects a sample for the federal review of approximately 200 cases per month from a universe of all 58 counties' approved AFDC cases to verify recipient eligibility and the correctness of the payments that counties issued to families. The department also selects a sample for the state review of approximately 969 AFDC cases per month from the 35 counties with the largest AFDC caseloads. The state quality control review is conducted to determine error rates specific to each county and to develop plans to correct deficiencies at each county. After the corrective action plan has been established for a county, the department conducts a

follow-up review to ensure that the county has implemented the corrective actions. Additionally, once the federal and the state quality control reviews are completed, the department summarizes and analyzes the errors identified in each sample. Then, the department prepares a report summarizing its corrective actions for each sample. The department's report includes a description of its analysis of errors.

In selecting and analyzing the sample of cases for both the federal and state quality control reviews, the department does not separately identify those AFDC cases that include a homeless assistance component. The director of the department stated that the department does not have a method to readily identify the number of homeless assistance cases that are included in the federal or state quality control samples. Because the department does not separately identify those cases that include a homeless assistance component, the quality control reviews do not provide the department with error rate data necessary to identify problems or with a way to develop corrective actions specific to the homeless assistance program.

Also, because the department does not identify the homeless assistance cases selected in the federal and state quality control reviews, there is no practical way to determine whether a sufficient number of homeless assistance cases are included in the review to make it a viable means of monitoring the homeless assistance program. We were concerned that the relatively low number of cases in the homeless

assistance program compared with the almost 7.2 million cases in the AFDC program would result in too few homeless assistance cases being selected for the quality control review. To assure ourselves that enough homeless assistance cases were included in the quality control review to make it an effective means of monitoring the program, we attempted to identify the number of homeless assistance cases actually selected for past quality control reviews. However, since the department does not specifically identify homeless assistance cases in the quality control sample, we had no practical way to determine whether a sufficient number of homeless assistance cases are included in the quality control reviews.

According to the director of the department, it does not have a method to readily identify which of the AFDC cases contain a homeless assistance payment. However, we noted that the department does identify in its quality control reviews those cases that include components from other programs. The department has devised a listing of code numbers that designate other programs that are included in the quality control reviews. For example, the department can identify in its quality control universe and sample which AFDC cases also have a Food Stamp component. The department could similarly assign a unique code to the AFDC cases that include homeless assistance.

Separately identifying cases and findings that relate to the homeless assistance program could facilitate identification of problems and development and implementation of corrective action. Separately

identifying the homeless assistance cases in the quality control reviews could also provide the department information to determine whether a sufficient number of homeless assistance cases are included in the quality control process to make it an effective means of monitoring the homeless assistance program. If the number of homeless assistance cases included in the quality control reviews is insufficient, the department should consider an alternative method of monitoring the counties' implementation of the homeless assistance program.

CONCLUSION

The Department of Social Services and the county welfare departments need to improve their data base for the homeless assistance program. The counties differ in how they complete the Monthly Statistical Reports, which are the source of much program data. Further, the data in the department's Homeless Assistance Payment Indicator system, a statewide automated detection system designed to prevent duplicate homeless assistance payments, is still incomplete for some counties that have reportedly entered their data, and the data is not always accurate. Consequently, the HAPI system is not effective to identify families who make multiple applications for homeless assistance in the same 12-month period. Finally, because the department does not separately identify homeless assistance cases in its quality control reviews, the quality

control process does not provide the department a way of readily identifying problems specific to the homeless assistance program and developing responsive corrective actions, and there is no practical way to determine whether a sufficient number of homeless assistance cases are included in the quality control process to make it a viable means of monitoring the homeless assistance program.

Counties differ in the way they complete the Monthly Statistical Reports because some counties have not correctly understood the reporting instructions. Further, according to the chief of the department's Statistical Services Bureau, the department does not have the resources to conduct site visits to ensure that counties are correctly reporting information to the department. Additionally, a factor contributing to the lack of complete and accurate data in the HAPI system is the fact that, according to the chief of the Fraud Program Management Bureau, the department has not monitored or tested the information that the counties enter into the HAPI system. Finally, the department has not separately identified homeless assistance cases in its quality control reviews because it does not currently have a method to identify which of the AFDC cases contain a homeless assistance payment.

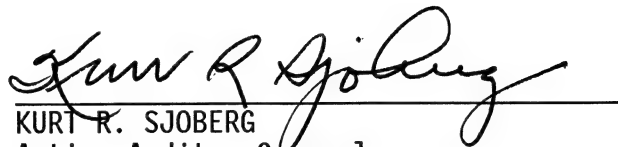
RECOMMENDATIONS

To ensure that the Department of Social Services and the county welfare departments improve their data base of information for the homeless assistance program, the department should take the following actions:

- Ensure that the counties understand how to prepare the Monthly Statistical Reports so that the counties report the data consistently, and also monitor or test the information that the counties submit to the department;
- Take steps to ensure that the counties report complete and accurate data for entry into the Homeless Assistance Payment Indicator system; and
- Develop a system to separately identify in the quality control universe and sample selection the AFDC cases that contain a homeless assistance component.

We conducted this review under the authority vested in the auditor general by Section 10500 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,


KURT R. SJOBERG
Acting Auditor General

Date: April 23, 1990

Staff: Steven M. Hendrickson, Audit Manager
Melanie Kee
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DEPARTMENT OF SOCIAL SERVICES
744 P Street, Sacramento, CA 95814



April 11, 1990

Kurt S. Sjoberg,
Acting Auditor General
Office of the Auditor General
660 J Street, Suite 300
Sacramento, CA 95814

Dear Mr. Sjoberg:

OFFICE OF THE AUDITOR GENERAL'S (OAG) DRAFT AUDIT REPORT P-872 ENTITLED
"IMPROVEMENTS ARE NEEDED IN THE STATE'S PROGRAM TO PROVIDE ASSISTANCE TO
HOMELESS FAMILIES."

Mr. Clifford Allenby, Secretary, Health and Welfare Agency, has asked me to
review and comment on the above named OAG draft audit report. Attached are
the Department of Social Services (DSS) comments in response to the
recommendations contained in this report

The DSS staff appreciates the many opportunities you have provided us to
furnish information and comment on your audit findings during this audit.

If you have any questions regarding our comments, please contact me at
(916) 445-2077, or have your staff contact Mr. Robert L. Garcia, Deputy
Director, Administration, at (916) 445-4622.

Sincerely,

A handwritten signature in cursive script, reading "Linda S. McMahon", is written over a horizontal line.

LINDA S. McMAHON
Director

Attachment

DEPARTMENT OF SOCIAL SERVICES (DSS) RESPONSE

Following are the DSS comments in response to the recommendations contained in the Office of the Auditor General's (OAG) draft audit report P-872 entitled "Improvements Are Needed In The State's Program To Provide Assistance To Homeless Families".

Chapter 1. COUNTY WELFARE DEPARTMENTS AND THE DEPARTMENT OF SOCIAL SERVICES NEED TO INCREASE THEIR EFFORTS TO LIMIT FRAUD AND ABUSE IN THE HOMELESS ASSISTANCE PROGRAM

Recommendation 1: "The Department of Social Services should take necessary steps to ensure that all counties enter data on homeless assistance cases into the Homeless Assistance Payment Indicator system."

DSS Response: During the Periodic Reviews of the Income and Eligibility Verification System (IEVS) that are conducted by the Fraud Program Management Bureau (FPMB) the use of the Homeless Assistance Payment Indicator (HAPI) will be reviewed. County procedures and input of individuals into HAPI will be explored. Counties will be required to submit corrective actions for any deficiencies that are discovered.

FPMB is also contracting with the Department of Health Services (DHS) Systems Bureau to generate reports of HAPI usage. An All County Letter (ACL) will be issued reminding counties of their obligation to enter homeless payments into HAPI.

Recommendation 2: "The Department of Social Services should require counties to follow-up to determine eligibility for homeless assistance when the counties have evidence indicating a family may have previously received assistance elsewhere in the State."

DSS Response: The DSS will issue an ACL reminding counties of the requirement to investigate all evidence of ineligibility. This includes evidence that an applicant/recipient is ineligible for homeless assistance due to prior receipt of homeless assistance within the past 12 months in another county.

Recommendation 3: "The Department of Social Services should ensure that counties require families to provide verification of how all homeless assistance funds are spent before any additional funds are provided to the families. If the families cannot provide such verification, all future payments should be made directly to the provider of shelter."

DSS Response: This policy is contained in the current series of proposed regulatory amendments which are estimated to be effective in December 1990. Under the department's proposed rule, all recipients of the homeless assistance special need will be required to provide verification that the payment was spent for shelter. If the recipient fails to provide the required verification, all future homeless assistance payments will be made in the form of vendor payments.

Recommendation 4: "The Department of Social Services should ensure that counties pay permanent assistance only when the family presents evidence that affordable housing is available as required by departmental regulations".

DSS Response: The DSS concurs with this recommendation and will issue an ACL describing how these regulations should be applied and emphasizing the importance of compliance by the counties.

Recommendation 5: "The Department should develop a form for counties to use that documents a family's search for permanent housing and that can be used to verify a family's need for a fourth week of temporary assistance."

DSS Response: Prior to the February 1988, implementation of homeless assistance, the department considered and discussed this issue with representatives of the County Welfare Directors Association (CWDA). At that time, the department determined that it would not be feasible to mandate such a form due to objections raised by the CWDA. The CWDA's objections were based on the potential compromise of the client's confidentiality if possible landlords were asked to verify that a valid contact had been made. The CWDA also objected to a statewide form on the basis that counties vary widely in the availability of housing, making the form useless in counties where there are few, if any rental entities, to contact.

Several counties have instituted such a form on their own to help direct and document the recipient's housing search. These forms have the advantage over a statewide form of being designed to reflect local conditions. We have disseminated forms currently in use to other counties and have encouraged these counties to develop and use similar forms.

Based on these experiences and your recommendation, the department will revisit this issue in the near future.

Recommendation 6: "The Department of Social Services should require counties to always attempt collection of any identified overpayments made to families."

DSS Response: The DSS requires counties to identify and collect overpayments in accordance with regulations. The department recently released an All County Letter which included examples of overpayments in homeless assistance.

Recommendation 7: "The Department of Social Services should require counties to refer all cases that meet the counties' criteria for investigation to the counties' investigative units."

DSS Response: The DSS believes that existing regulations in this area are sufficient for fraud prevention in the counties. The counties have a duty under existing regulations (MPP 20-003) to make a complete and detailed referral to the Special Investigative Unit (SIU) any time there is an allegation or observation of an apparent fraudulent situation. An ACL will be issued to minimize problems in this area.

Recommendation 8: "The Department of Social Services should encourage counties to consider the cost-effectiveness of hiring additional staff, so they can more thoroughly follow-up on and investigate suspicious cases."

DSS Response: Counties where the incidence of fraudulent activity in the homeless program suggests the need for additional investigative and support staff will be encouraged by the DSS Fraud Program Management Bureau to consider the cost-effectiveness of hiring additional staff. Interested counties may then submit a request to the DSS County Administrative Expense Control Bureau for additional staff during the annual cost control budgeting process and these requests will be given full consideration by the DSS.

Recommendation 9: "The Department of Social Services should develop a system of ongoing review to more thoroughly evaluate the counties' implementation of the homeless assistance program and to ensure that the counties comply with all departmental requirements."

DSS Response: The DSS is aware of the need for administrative oversight of the homeless assistance program. To fulfill this responsibility, we have in place the systems and tools which provide the information and data needed to assess implementation and ongoing operation. To the extent that existing resources will permit it, a more direct and expanded evaluation effort will be undertaken.

(4)

Chapter 2

LAWS AND REGULATIONS FOR THE HOMELESS ASSISTANCE PROGRAM PROVIDE FOR LIMITED ACCOUNTABILITY AND ALLOW QUESTIONABLE PRACTICES.

Recommendation 1: "The Department of Social Services should expedite approval and implementation of its proposed amendments to the regulations of the homeless assistance program."

DSS Response: The DSS contends that its regulations processing schedule (implementation effective December 1990) is as expedited as is possible under current circumstances. Barring implementing these amendments on an emergency basis, for which there is, in this case, no basis, the timeframe for processing new regulations on a non-emergency basis is from nine to twelve months. Given these timeframes, December is the earliest possible implementation date for this series of proposed regulations.

Recommendation 2: "The Department of Social Services should consider the following additional changes to its regulations for the program:

- 2a. Require counties to encourage families to provide formal rental agreements whenever possible to demonstrate the landlord's intent to rent to the families before making payments for permanent assistance.

DSS Response: The DSS concurs with this recommendation and will include this requirement in the current series of proposed amendments to be effective in December 1990.

- 2b. Develop a standardized form that families would complete whenever a formal rental agreement or receipt cannot be provided. The form should include a statement of liability for providing false information and should be signed under penalty of perjury. The form should be used to verify both temporary and permanent housing;

DSS Response:

The DSS concurs with this recommendation and will develop the suggested form concurrent with its processing of new regulations to be effective December 1990.

- 2c. Require families to provide verification that permanent assistance funds received were used for housing. If the family cannot provide the verification, the county could consider the payment an overpayment and attempt collection of the funds. At least one county is already doing this;

DSS Response:

Based on current State regulations, a permanent housing benefit is available on the condition that the assistance unit has found a residence to move into with rent less than 80% of their monthly aid payment amount. The assistance unit is required to present a rental agreement stating the amount of deposits required in order for the assistance unit to assume occupancy for the residence. A permanent housing payment is issued when these conditions are met. If it is discovered that the assistance unit did not use the payment to move into the residence or has spent the money for something other than housing, the assistance unit is assessed with an overpayment.

When the proposed regulations package is implemented in December 1990, all homeless assistance recipients will be required to provide verification that the payment was used for the specified purpose.

- 2d. Make payments to the provider of shelter for all families who repeat the program."

DSS Response:

This policy is contained in the current series of proposed regulations to be effective December 1990. Under the proposed rule, any request for homeless assistance made within two years of a previous granted request will be made in the form of vendor payments.

Chapter 3

THE DEPARTMENT OF SOCIAL SERVICES AND THE COUNTY
WELFARE DEPARTMENTS NEED TO IMPROVE THEIR DATA
BASES FOR THE HOMELESS ASSISTANCE PROGRAM

Recommendation 1: "The Department of Social Services should ensure that the counties understand how to prepare the Monthly Statistical Reports so that the counties report the data consistently, and also monitor or test the information that the counties submit to the department."

DSS Response: The DSS will re-emphasize its reporting requirements to counties and will continue to provide assistance/training as deemed appropriate. Information monitoring will be performed as part of DSS data collection and desk edit check procedures. Field monitoring will be limited to those occasions when DSS staff are on site to train counties. A more intensive field monitoring or audit cannot be performed due to limitations of travel and staffing budget constraints.

Recommendation 2: "The Department of Social Services should take steps to ensure that the counties report complete and accurate data into the Homeless Assistance Payment Indicator system."

DSS Response: The DSS will issue an ACL to reemphasize the mandate for the use of HAPI. We will also monitor the HAPI usage in each county utilizing the available statistical summary information and remind counties of requirements when appropriate.

Recommendation 3: "The Department of Social Services should develop a system to separately identify in the quality control universe and sample selection the AFDC cases that contain a homeless assistance component."

DSS Response: The DSS concurs with this recommendation. While the current QC sample selection system does not provide for identifying cases in the QC universe that contain a homeless assistance component, those cases actually selected for QC review in the federal and state AFDC samples can be identified during the QC review process. The Quality Control Branch will develop and implement instructions to identify cases in the federal and state QC samples that contain a homeless assistance component. We anticipate these instructions to be effective with the July 1990 samples.



EDDY S. TANAKA
DIRECTOR

**COUNTY OF LOS ANGELES
DEPARTMENT OF PUBLIC SOCIAL SERVICES**

3401 RIO HONDO AVENUE, EL MONTE, CALIFORNIA 91731/TEL: (818) 572-5720
P.O. BOX 5493, EL MONTE, CALIFORNIA 91731

April 10, 1990

Kurt R. Sjoberg, Acting Auditor General
Office of the Auditor General
660 J Street, Suite 300
Sacramento, California 95814

Dear Mr. Sjoberg:

AFDC HOMELESS ASSISTANCE PROGRAM REVIEW

Attached you will find our Departmental comments to the draft report on the above stated review conducted in Los Angeles County during the period of September 1989 through March 1990.

I appreciate the opportunity of commenting on your draft report entitled "Improvements Are Needed in the State's Program To Provide Assistance to Homeless Families".

Should there be any questions on this material, your staff may contact Charles R. Ventura, Chief of the Management Information and Evaluation Division, at (818) 572-5654.

Very truly yours,


EDDY S. TANAKA, DIRECTOR

EST:sd

Attachment

**LOS ANGELES COUNTY RESPONSE
TO THE STATE AUDITOR GENERAL'S DRAFT REPORT:
"IMPROVEMENTS ARE NEEDED IN THE STATE'S PROGRAM
TO PROVIDE ASSISTANCE TO HOMELESS FAMILIES"**

Page S-4; Last sentence of the first paragraph

"In 12 of 13 cases of families receiving a fourth week of temporary assistance, we could find no evidence in the counties' files that the eligibility worker verified the families' need for the additional assistance."

This statement should be revised to reflect that there is no state regulatory requirement to verify need for issuance of a fourth week of temporary assistance. Regulations provide that once a determination is made as to good cause for needing additional Homeless Assistance beyond the 21 day period, the County may pay for an additional seven days. (1)*

Page S-4; Last sentence of the second paragraph

"In 12 of the 83 cases, families received Homeless Assistance without providing the required documents necessary to determine their eligibility."

This statement, as well as statements included in pages 24-26, is erroneous for cases that were provided Homeless Assistance on the basis of apparent eligibility to AFDC. As specified in 44-2111.521(b), the only documents that are required to issue emergency Homeless Assistance benefits are verification of alien status and proof of pregnancy if there are no other eligible children in the assistance unit. Other than that, 44-211.521(a) requires that the family must agree to cooperate with the county in meeting AFDC procedural requirements.

Additionally, provision of a Social Security number is not an absolute condition of eligibility for AFDC or permanent housing assistance. EAS 40-105.212 specifies that if the individual lacks a Social Security number, he or she must apply for one and provide the number to the county when received.

The Auditor General may wish to say that these requirements are inadequate, but it is not accurate to state that counties are failing to meet program requirements. (2)

*The Office of the Auditor General's comments on specific points in this response begin on page 97.

Page 11; Footnote at bottom of the page

"Specifically, the Los Angeles tape did not include information on cases that had been closed during that period."

Please add the clarification that the tape does not include information on some cases that had been closed during that period. There are a number of closed cases that are purged from the data memory every four months but not all cases are automatically deleted when closed. (3)

Page 17; Second paragraph

The fact that SDSS notified counties on January 6, 1989 that HAPI was available for use should be added to make it clear that counties were not provided with any lead time to implement the system.

Also, the statement that "counties have been slow to enter data into the HAPI system" should be revised for accuracy and consistency with other portions of the report. It should reflect, instead, that counties were slow to implement HAPI. As written, it makes it sound like slow data entry is a continuing problem, and there is nothing in the report to indicate that this is the case. (4)

Page 18; Second paragraph

For perspective, it would be useful to include what percentage of the 53,056 cases were found to involve duplicate assistance.

Page 24-26

See comments on Page S-4, second paragraph. (5)

Page 43; Second paragraph

Please add the clarification that the recommended form can be used to document (not verify) a family's need for a fourth week of temporary assistance. (6)

Page 43; Fifth paragraph

Please consider suggesting that SDSS, instead of the counties, should consider the cost-effectiveness of funding additional county staff for more thorough follow-up and investigation of suspicious cases.

**THE OFFICE OF THE AUDITOR GENERAL'S COMMENTS ON THE
RESPONSE FROM THE COUNTY OF LOS ANGELES,
DEPARTMENT OF PUBLIC SOCIAL SERVICES**

To provide clarity and perspective, we are commenting on the County of Los Angeles, Department of Public Social Services' (county) response to our audit report. The numbers correspond to the numbers we have placed in the county's response.

- ① We have changed the last sentence of paragraph one on page S-4 to match the wording in the body of the report where this issue is discussed. The sentence now reads "In 10 of 13 cases of families receiving a fourth week of temporary assistance, we could find no evidence in the counties' files that the eligibility workers had even questioned the families as to the reason for needing the additional assistance."

On page 23 of this report we clearly state that there is no regulatory requirement that eligibility workers document the reason for the additional assistance in the case file. However, during our audit fieldwork, the director of the County of Los Angeles, Department of Public Social Services provided us with a letter stating that the eligibility worker should document in the case file the reason a family gives for needing a fourth week of assistance.

- ② We disagree with the county's contention that statements in the report are erroneous. In its objection, the county contends that the documents identified in our report would not be required for cases approved on the basis of apparent eligibility. However, we are not questioning the counties' initial determinations of eligibility based on apparent eligibility or their initial payments. Rather, we question their failure to subsequently follow up to obtain the documents required by program regulations. Further, as noted on page 25 in the report, in 9 of the 12 cases in which we reported that documents were missing from the counties' files, the families received homeless assistance for permanent housing, which is not granted on the basis of apparent eligibility. In the remaining three cases in which the families received temporary assistance only, the families received homeless assistance for a period of 17 to 21 days. During this time, the county eligibility workers could have taken additional steps to obtain the appropriate documents.

The county also states that provision of a social security number is not an absolute condition of eligibility as long as the individual agrees to apply for a social security number and provides that number to the county when it is received. In the case files that we identified that were missing social security numbers, the case file contained no social security number and no evidence that the individual was or would be applying for one.

- ③ We agree with the county and have added the word "some" to the sentence on page 11 of the report.
- ④ In Chapter 3 of this report we note that the counties continue to have a problem with homeless assistance cases not being entered into the Homeless Assistance Payment Indicator system.
- ⑤ See comment number 2 on previous page.
- ⑥ We do not agree that clarification is needed. The report states that a county should use this form to document a family's search for permanent housing. The report also states a county could use the form to verify information provided by the family.



COUNTY OF SACRAMENTO

DEPARTMENT OF SOCIAL SERVICES

2433 Marconi Avenue
Sacramento, California 95821-4807

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DENNIS B. HART
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*deputy director
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EVELYN L. JOSLIN
*deputy director
social services*

April 10, 1990

Mr. Kurt R. Sjoberg
Acting Auditor General
660 J Street, Suite 300
Sacramento, California 95814

Dear Mr. Sjoberg:

This letter is in response to your correspondence of April 3, 1990, requesting our comments on your report entitled "Improvements are Needed in the State's Program to Provide Assistance to Homeless Families." We request that the comments in this letter be included in the final report when issued.

GENERAL COMMENTS AND CONCERNS

1. On April 4, 1990, our department was provided with a copy of your draft report with sections pertaining to Sacramento County annotated in the margins. The cover letter noted comments were due by 10:00 a.m. on April 11, 1990. We also received a letter on April 4 listing the 25 Sacramento County cases reviewed for the period of July 1988 through August 1989; the list of cases only contained the case name, case number, and social Security number of the client.

Your staff was very helpful in providing as much information over the phone concerning which of the cases was referred to in the annotations in the report margins. However, this process was very time consuming and limited the time available for county staff to review the cases cited. Our responses to your report findings are, consequently, of a general nature and do not contain the level of detail we would have preferred to include in our comments.

The county plans to follow up with a more detailed review of the cases as time permits. To conduct this review, we request your staff note the specific finding for each case on the case listing and forward a copy to our department.

2. The method used to report findings avoids the issue of whether the payments were correct or made in error. The findings also appeared to be contradictory on the issue of whether errors existed. The following statements appear on page S-1 of the report.

"In at least 9 (11 percent) of the 83 cases we reviewed at three counties, we concluded the families were not homeless or provided false or misleading information to receive homeless assistance funds. These families received a total of \$8,050 in homeless assistance." *

In an additional 17 (20 percent) of the 83 cases we reviewed, the families received \$16,475 in homeless assistance, but it is questionable whether the families were homeless." **

The above statements imply the funds were overpaid to the families who were not homeless or possible overpayments to those families whose homelessness was "questionable." However, on page 40 of the report, the following statement appears:

*The Office of the Auditor General's Comment: In the final report, this number was changed to \$7,810.

**The Office of the Auditor General's Comment: In the final report, this number was changed to \$16,720.

"Additionally, we found that the three counties were generally making homeless payments in the correct amounts and within the required time frames. In none of the cases that we reviewed did we find the county had paid an incorrect amount, and in only one case did the county not make the payment within the statutorily required time frame." (1) *

3. Since the inception of the homeless assistance program, there has been an ongoing debate over whether the program is helping the homeless and whether significant levels of fraud exist. The report concludes in several places the program is meeting the need in providing housing. We feel the report could help resolve this debate by being more specific as to the number of families who were helped out of the 83 case sample.

The report is helpful in clarifying the laws and regulations for the homeless assistance program do not provide for accountability and do allow questionable practices. The county recommends the term questionable be defined and a list of the questionable practices found during the review be included. It would also strengthen the report to clarify whether all of the practices termed questionable are required by regulation or whether some were permitted by state policy decisions. (2)

4. The report does not mention quality assurance reviews and corrective actions being implemented at the county level. Sacramento County has been conducting periodic homeless assistance case reviews during 1989 and has included the homeless assistance program in its corrective action planning for 1990.

RESPONSES TO PRINCIPAL FINDINGS

1. The report concludes counties and the Department of Social Services need to increase their efforts to limit fraud and abuse in the program. This section only briefly mentions (pages 40,41) the efforts of the counties to insure adequate staffing in the homeless assistance program during 1988 and 1989.

Sacramento County has made the commitment of resources to the AFDC Homeless Assistance Program to maintain program integrity. When it became apparent in February 1988 that the existing organizational structure would not allow us to meet the short time frames for homeless assistance benefit issuance, the county shifted existing staff from continuing caseloads to the intake function and specialized homeless assistance positions in continuing bureaus.

Sacramento County did have a shortage of workers in continuing caseloads due to transfer of continuing staff to the AFDC Homeless Assistance Program. When continuing caseloads increased in 1988, we instituted a series of temporary workload priorities for continuing workers in order to insure essential case management functions would be completed. Continuing functions of lower priority were temporarily waived.

Several other program changes during 1988 also required redirection of staff from continuing caseloads to other functions. These changes are as follows:

- ° The enactment of AB 2384 which expands eligibility and shortens the time frames for expedited food stamps effective July 1, 1988.
- ° The implementation of the preliminary injunction in Welfare Recipient's League v. Woods case. This court order requires counties to determine immediate need based on the definition in the pre-1978 regulations. This has resulted in most AFDC applicants qualifying for an immediate need payment which must be issued within 24 hours.

*The Office of the Auditor General's comments on specific points in this response begin on page 107.

- The implementation of the GAIN Program in September 1988, and the addition of Social Service positions in child welfare programs have increased normal attrition from financial assistance programs into social service programs as eligibility workers promote. As a result, the available man power in the AFDC Program that has more than one year's experience is running about 50 percent in AFDC.

The staffing problems we experienced in 1988 and 1989 are a result of SDSS cost-control policies which do not provide for full funding and force counties to operate with deficits. As you may know, counties in California, and Sacramento County specifically, over the past several years have had to appropriate additional county funds over and above the statutory 25 percent match in order to administer public assistance programs at the caseload target levels established by the State Department of Social Services. The primary reason for this is the state's cost-control policies that provide for payment of salaries and overhead costs in prior year's dollars rather than current dollars. Over the past several years, Sacramento County has budgeted in excess of \$500,000 and as high as \$800,000 to cover state funding deficits in order to operate these programs. In the fiscal year 1987/88, due to severe county constraints, the board of supervisors was unable to appropriate funds at the prior levels to make up this state funding deficit; and, as a result, caseload growth positions were not provided and we operated at 1987/88 levels which represented a reduction of 43 positions from the caseload-justified budget. Even at the lower level of staffing, the department exceeded the allocation for administration of these funds by \$172,588. During the course of 1987/88, these problems were compounded by the addition of homeless assistance and immediate need changes, shortened expedited services time frames, and GAIN implementation.

2. The Homeless Assistance Payment Indicator (HAPI) system was implemented by SDSS effective January 1, 1989. The system provided for entry of homeless assistance payment data into MEDS to avoid duplicate payments in different counties to the same individual. It was not a mandatory system because the state would not provide sufficient funds for staff and MEDS terminals. State implementation instructions were very vague and did not clearly mandate usage of the system.

In January 1989, the entry of payment information into the statewide database represented the imposition of an added workload during a period in which our caseloads had become excessive and during which we were confronted with the need to arrange our workload priorities in ways that would assure that our determinations of eligibility for Aid to Families with Dependent Children continued to be promptly made and that benefit payments continued to be accurately calculated and promptly delivered. Because we did not yet have the programming modifications in place to submit payment information using CDS, we could only submit the information on-line. Because of the workload burden and because the number of MEDS terminals we have available has been inadequate since the implementation of the statewide Central Data Base (CDB), we decided to wait until the batch submission capability was available.

The CDS program modifications were completed in May 1989 and were installed on June 23, 1989. Ordinarily, the installation of new or modified systems' functions is followed by instructions to staff which describe the new or changed functions and how they are used. In this instance, however, we delayed publication of the instructions pending an evaluation of the workload impact.

In October 1989, the workload concerns were resolved and the HAPI instructions were published and distributed to staff with an effective date of November 1, 1989. The homeless assistance payment information is now being submitted to the statewide database on all homeless assistance cases being granted.

Sacramento County has not exercised the option of transmitting historical HA payment information to the statewide database because the cost of doing so cannot be reimbursed. If the costs were

not a concern for the counties, we believe the nineteen-county CDS consortium would undertake the effort required to load the historical data.

3. Auditor General staff indicated their review shows approximately four percent of the cases reviewed had received homeless assistance in the preceding year. The AFDC Homeless Assistance Program allows for one incident of homelessness in a twelve-month period. Persons who received homeless assistance benefits in 1988 could reapply in 1989, 1990, etc. Our statistics indicate that the cases receiving homeless assistance on a yearly basis is closer to 13 percent. This is a significant difference and is an area that needs further study to define what is actually occurring in the program. (3)

4. Another finding was that counties do not always obtain verification the homeless assistance money was spent on housing. Sacramento County staff has been instructed to obtain verification that homeless assistance money was in fact spent on housing. In addition, we require verification of rent amount before permanent homeless assistance is paid. Internal audits of HA cases by Sacramento County staff have not shown compliance problems in this area.

County staff did review the specific cases cited by the report and found that many of the cases cited did not contain the required verification. Our analysis revealed the cases cited were handled by the same worker and the problem was specific to that individual. We disagree with any conclusions drawn from these results because of the restricted case sampling process used by AG staff. (4)

5. In the area of failure to document good cause for granting the fourth week of temporary shelter, Sacramento County identifies regulatory vagueness as part of the problem. The homeless assistance regulations require the client to make a good faith effort to search for permanent housing. However, SDSS staff has not defined the term "good faith efforts" or what constitutes an "adequate search." In absence of a clear definition, county staff will encounter problems making uniform and accurate eligibility decisions. Numerous contacts with SDSS have failed to provide clarification of the issues.

Sacramento County staff did review the cases cited for failure to document good cause. We are in agreement with the report findings. The county is taking corrective action in the area of case documentation as a result of case reviews completed by county quality assurance staff. County case reviews found the clients generally had good cause but the homeless assistance worker had failed to enter this information in the case record.

6. Failure of counties to collect homeless assistance overpayments was cited as a compliance issue. Sacramento County has instituted a system of temporary workload priorities as indicated in the first section of this letter. One of the areas where staff did not have to complete all requirements was in the area of overpayments. A system was developed to identify the overpayments in the computer system so the case could be located and overpayment dealt with at a later date.

Also, the regulations in the area of homeless assistance overpayments presents an interesting loophole for clients who are intent on maximizing their income. For example, if a permanent housing check for \$1,500 is not spent on housing, the county must write up a \$1,500 overpayment and begin adjustments. Once the overpayment is established, the client is then eligible for a second homeless assistance permanent special need. Even though the second homeless assistance payment must be vendor payment, our experience has shown the vendor payment system does not guarantee the money will be spent on shelter.

Of the two cases reviewed by AG staff, county reviewers were in agreement with one case where the overpayment was not recouped. On a second case, we are in disagreement as the county

cannot begin recoupment until a previously existing overpayment is recovered. (5)

7. Another compliance issue was failure to obtain an ID for a homeless applicant. This is another area where there is not clear regulatory authority to require the homeless applicant to provide an ID. Sacramento County did require an ID prior to granting homeless assistance benefits. This requirement was challenged by local welfare advocate groups and SDSS staff would not support Sacramento County's position. Sacramento County continues to request ID from all homeless applicants but does not make lack of ID a basis for denial of benefits.

Sacramento County staff reviewed the three cases cited for lack of ID and disagrees with the report findings which imply serious errors in these cases. The errors found were of a procedural nature rather than errors resulting in payments to ineligible persons. For example, one case cited did not contain a CA-42. However, the CA-1, CA-2, and chrono entries support the fact the homeless assistance payments were made to an eligible family. One case was cited as having no ID for the mother. Our reviewer found a social security number and marriage license on file for the mother which constitute verification of identity. (6)

8. On page 15 of the report, three cases were found to be questionable because the families reported the same address that they had before they reported that they were homeless. The county reviewed these three cases and found the cases contain documentation the clients moved out of the address and moved back in at a later date. From the standpoint of compliance with homeless assistance regulations, the county's payment of homeless assistance to these families was correct. (7)

The county agrees with the report conclusion that a law which permits payment of homeless assistance to return to a former address could raise doubts as to whether the family was really homeless. The county recommends the law be changed to eliminate this problem.

9. Another finding on page 15 indicated four families provided false or misleading information to receive homeless assistance funds. Of these four cases two were Sacramento County cases. The county disagrees with report conclusions of both of these cases. These cases were reported in more detail on pages 30 and 31. (8)

In the first case, the client was receiving temporary homeless assistance and presented evidence of permanent housing which the county determined to be false. Permanent housing benefits were denied to this family by the county. The family continued to receive temporary shelter payments after the denial of permanent housing occurred. In our opinion, the county had no authority to deny further temporary shelter benefits on the issue of false permanent housing verification. The report implies that continued payment of the temporary shelter benefit was made based on false information, which is not accurate.

The second case is outlined in detail on page 31 of the report. The client was moving back to the same address they had before they were homeless. AG staff report the client had never lived at that address based on collateral contacts with the apartment manager. However, the case record contains documentation the client had previously paid rent at that address. The county also made a second collateral contact to confirm the family was homeless. Based on the documentation in the case record, we do not think the report conclusions are accurate.

10. Two cases were cited for receiving permanent housing payments without verification the funds were used for housing and that no rental agreement was in the cases. One of these cases did not receive any permanent payments so we disagree with the report findings on that case. In the second case, the county did not obtain verification as noted in the report. (9)

11. The report findings indicate 17 cases met the criteria for referral to investigations but only 3 of the 17 cases were referred (page 30). Six of the 17 cases not referred were Sacramento County cases. Our review indicates one of these six cases was referred for investigation. On three of the cases, we disagree with the report findings that the cases met the referral criteria. In only one of the six cases do we agree with the report findings that the case clearly met the referral criteria and was not referred. (10)

SACRAMENTO COUNTY'S RECOMMENDATIONS

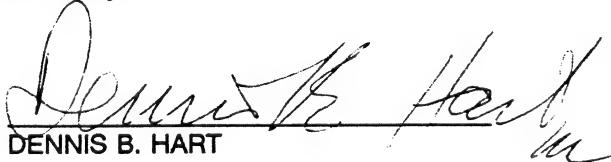
Section II of the report concludes that laws and regulations for the homeless assistance program provide for limited accountability and allow questionable practices. The county agrees with the recommendations outlined on page 64 which would increase accountability and limit questionable practices by families who receive homeless assistance. The regulatory changes being proposed by SDSS would improve the counties' abilities to insure the homeless assistance funds are being spend on shelter.

Our experience of the past two years has lead us to the conclusion that changing the current homeless assistance program will not produce the level of improvement needed. To adequately deal with the homeless problem for AFDC families, there needs to be a major policy change. Instead of changing the current program, a new and different program needs to be formulated.

1. Develop two components for homeless assistance special needs. One component would be to **prevent** homelessness, and one component would be to deal with the family who is already homeless and all the related chronic problems. Currently, homeless assistance emphasis is focused on the family who is already on the street. The family circumstances must deteriorate to the point they are homeless, or they must lie. There is not an emphasis for preventing homelessness. Families who are under the threat of eviction are not eligible for any special need payments.
2. Develop a multidiscipline approach when working with a family who is homeless (or is about to become homeless). Social service, health, and housing agency staff must be involved to "solve" the problem. Repeatedly staff say, "Just throwing money at the homeless will not make them go away."
3. Modify the definition of homeless to allow counties to consider client intent.
4. Expand the definition of mismanagement to include situations in which the AU's homelessness results from its failure or inability to pay rent **without good cause**.
5. Mandate the issuance of **all** homeless assistance benefits as vendor payments to reduce the potential for fraud. Require money management training for all homeless assistance recipients.
6. Change the provision of homeless assistance to a one-time issuance rather than a once each year benefit. Instead of giving funds for the second incidence of homelessness, mandate services, money management, and money management training.
7. Revise the "loop hole" in current regulations which allows a client who got homeless assistance funds in error to get homeless assistance again (in the same year) simply because the county called the first homeless assistance payment an overpayment and is grant adjusting.
8. Change the current homeless assistance allowances to the following amounts:

- a. Use the actual cost for temporary shelter, up to a cap of \$30 per day (\$60 per day for larger families).
 - b. Establish only two temporary shelter caps rather than the current \$7.50 per day additional amounts.
 - c. Reduce the number of days temporary homeless assistance will be paid from 28 days to 12 days.
9. Mandate vendor payments for ongoing housing costs for one year from the date the family receives **any** homeless assistance payment (temporary or permanent).
10. Require the applicant to qualify for AFDC **without** the homeless assistance special need (just as they currently must qualify for AFDC without the \$30 and 1/3 disregards).
11. Allow the county to redetermine the homeless status at any time. Often the homeless assistance client decides to live with a friend without requesting permanent homeless assistance. Six months later, the client applies for permanent homeless assistance and is still residing with the same friend.
12. Establish a limit for clients with permanent homeless assistance funds to rent units which cost up to 50 percent of the household income rather than 80 percent of the AU's income. The 80 percent amount creates the situation where an excessive amount of the AFDC grant is being spent on housing.
13. Support pending SDSS regulations which make the following changes in homeless assistance:
 - a. Homeless assistance will not be available for the family who returns to their immediate former residence.
 - b. Homeless assistance will not be available for the family who has a legal right to live in their former residence which is still inhabitable.

Sincerely,



DENNIS B. HART

DBH/RW/SC/asw

cc: Penelope Clarke
Richard Winsor
Jan Reeves
Don Brown
Lynn Hiseley
Steve Chroniak
Beth Farlow
Jim Sawyer

**THE OFFICE OF THE AUDITOR GENERAL'S COMMENTS ON THE
RESPONSE FROM THE COUNTY OF SACRAMENTO,
DEPARTMENT OF SOCIAL SERVICES**

To provide clarity and perspective, we are commenting on the County of Sacramento, Department of Social Services' (county) response to our audit report. The numbers correspond to the numbers we have placed in the county's response.

- ① The findings presented on page S-1 of the report are not contradictory to the statement that we make on page 40. The findings on page S-1 address whether families were truly eligible for homeless assistance whereas, in the paragraph on page 40, the issue is not eligibility. Rather, this paragraph addresses whether the counties are correctly computing the appropriate amount of assistance based on family size and maximum number of days counties are allowed to issue payments. For additional clarity, we have changed the sentence on page 40 to more specifically reflect that meaning.
- ② See pages 49 and 50 of the report where we define questionable cases. Also, on pages 49 through 52 of the report, we provide several examples of cases that we considered questionable.
- ③ We discuss this issue in detail on page 4 of the report.
- ④ The county disagrees with our conclusion that county staff did not always obtain verification of how homeless assistance funds were spent because the county believes that our findings reflect problems with a specific worker. However, for most of the period we reviewed, only two eligibility workers in the district office regularly processed the homeless assistance cases. Therefore, one worker represents approximately 50 percent of the homeless assistance staff at this office during the time period we reviewed.
- ⑤ The county's response states that we found two cases in which the county did not recoup an overpayment; however, as we notified the county, we found only one case. In that case, the file did not indicate at the time of our review that the county had taken steps to ensure that, when the previously existing overpayments had been recouped, the homeless overpayment would be collected.
- ⑥ The discussion of required eligibility documents in our report does not imply serious errors in the three cases cited. One case was missing a homeless application (CA-42), the form required by state regulation that is used to determine whether the family is eligible for assistance. In another case, the county points out that the case file contained both a social security card and marriage license. Our review gave credit to the county for

these documents; however, as we point out on page 25, the case contained no identification for the caretaker relative, such as a driver's license or identification card, to ensure that the person was who he or she claimed to be. As the county states in its response, county policy is to request identification documents from all applicants for homeless assistance.

- ⑦ The county takes issue with our discussion of questionable cases, stating that from the standpoint of compliance, the county's payment of homeless assistance was correct. However, as we clearly state in our detailed discussion from page 30 through 36, our point is that these cases raise the question whether the families were really homeless or whether they merely reported that they were in order to receive homeless assistance. Because these cases were questionable, they should have been referred to the county's fraud investigators.
- ⑧ The county disagrees with our conclusion that the families in two cases in Sacramento County provided false or misleading information to receive homeless assistance funds. After discussions with county staff, we continue to believe our conclusions are correct. Additionally, we believe that the county misses our point, as explained in comment 7 above, which is that based on the information the county did have, the cases should have been investigated further.

In the first case, which is detailed on page 30 of this report, our report does not, as the county contends, imply that continued payment of the temporary shelter benefit was made based on false information. Rather, our report notes that, since the county had evidence that in the past this family had provided false information to obtain assistance, the case should have been referred for investigation during the time the county continued to pay homeless assistance.

In the second case, our follow-up review showed that the family provided false information to obtain homeless assistance. The county states it does not believe our conclusion is correct because the case file contains a rent receipt showing that the family paid rent at the address for which it received homeless assistance. However, the rent receipt the county refers to is a handwritten receipt without a printed address or name of the apartment complex; the name on the receipt is different from the last name of the homeless applicant; and the receipt is dated approximately two months before the family applied for homeless assistance. Additionally, the county states that it made a collateral contact to confirm the family's homelessness. The county's contact was with a homeless advocate at Legal Services who stated that the client had reported she was out of her apartment but the client had nothing in writing to substantiate her claim. Our contact was with the manager of the apartment

complex during the time in question. The manager said that the family had not lived at the apartment complex during the time she had managed it, nor did she know this family.

9 The county disagrees that one of the two families we cited received permanent assistance without providing evidence that they had found available housing. The county states that one of the families did not receive permanent assistance. Our copies of county records show, however, that this family received homeless assistance in two years. In the first year, the family received permanent assistance without providing evidence of available housing. In the second year, the family did not receive permanent assistance because they provided a rental agreement signed by an individual who the county determined was not the owner of the property. The county's response may be referring to the second year; our finding addresses the first year.

10 We did not state that six cases from Sacramento County were not referred for investigation. We notified the county that six cases met the county's criteria for referral for investigation, but only one of the six cases was referred. However, during our final review, we changed the report to recognize that two of Sacramento's six cases were referred for investigation of possible homeless assistance fraud. (As a consequence, the total number of cases of the three counties referred for investigation increases to four.) The county does not agree that three of its remaining four cases met its criteria for referral to investigations. On page 29 of the report, we discuss the guidelines used by the counties to identify suspicious cases that should be referred for investigation. In our review of Sacramento County's six cases, there was evidence to support that each of these cases met the county's criteria for identifying a case as suspicious and referring such cases to the fraud investigators.



RICHARD W. JACOBSEN
DIRECTOR

County of San Diego

DEPARTMENT OF SOCIAL SERVICES

DONALD E. DUDLEY
ASSISTANT DIRECTOR

1255 IMPERIAL AVENUE, SAN DIEGO, CALIFORNIA 92101-7439

April 10, 1990

Kurt R. Sjoberg
Acting Auditor General
Office of the Auditor General
660 J Street, Suite 300
Sacramento, CA 95814

Dear Mr. Sjoberg:

This letter transmits San Diego County's comments on your report entitled "Improvements Are Needed in the State's Program to Provide Assistance to Homeless Families".

For clarity, the report headings have been repeated, followed by our comments.

Summary - Results in Brief

- 24 families received a total of \$16,242 in homeless assistance that they were ineligible for.

Comment: The data submitted in your report does not support this statement. Although your supporting documentation indicates that in each of the cases one of the individuals listed was in the AU in both counties, there is no determination whether the AUS consisted entirely of the same persons in both counties. This factor is extremely important because eligibility to homeless assistance is tied to the children making up the AU while the period of eligibility is tied to the caretaker relative. (1)*

- 17 of the cases reviewed received \$16,475 in homeless assistance but it is questionable whether the families were really homeless, also 8 of the cases returned to prior addresses.**

Comment: "Questionable" does not equate to fraud/abuse or ineligibility. In addition, the eight families return to prior residences is not precluded by regulations. (2)

*The Office of the Auditor General's comments on specific points in this response begin on page 117.

**The Office of the Auditor General's Comment: In the final report, this number was changed to \$16,720.

Summary - Principal Findings

- The three counties paid homeless assistance to families who did not provide the identification documents required by program regulations.

Comment: Regulations do NOT require identification. (Your report subsequently states there is no clear regulatory authority for a county to deny homeless assistance if the family does not provide the documents.) (3)

Audit Results

I. County Welfare Departments and the Department of Social Services Need to Increase Their Efforts to Limit fraud and Abuse in the Homeless Assistance Program

Counties Have Not Always Obtained Required Documents to Determine Eligibility

- o Program regulations require that applicant families present identification documents, however, there is no clear regulatory authority for a county to deny homeless assistance if the family does not provide the documents. Nevertheless, counties should consistently attempt to obtain from the families all documents that are needed to establish the families eligibility for the program.

In 12 cases reviewed, eligibility workers paid homeless assistance to families who did not provide the required identification documents. In 3 cases there was no identification for the caretaker relative such as a driver's license or identification card to ensure that the person who he or she claimed to be. In 5 cases, social security numbers were missing for either the caretaker or the children.

Comment: The AFDC program mandates specific documentation and verification required to satisfy eligibility factors but a driver's license or identification card for a caretaker relative does not fall within the scope of required verifications. There is NO requirement for families to provide identification.

As addressed in MPP 40-105, applicants and recipients shall, as a condition of eligibility, furnish a Social Security Number (SSN) or cooperate in securing such a number, then furnishing the SSN to the county when received. Aid shall not be denied, delayed or discontinued pending the issuance or verification of such number if the applicant/recipient has furnished his/her SSN or has submitted the necessary verification and is continuing to cooperate in securing such number (See MPP 40-105.2).⁽³⁾

II. Laws and Regulations for the Homeless Assistance Program Provide for Limited Accountability and Allow Questionable Practices

Program Regulations Lack Sufficient Safeguards to Ensure that Homeless Assistance Is Provided Only to Eligible Applicants

Recent audit findings show, however, that the counties need to do more to verify the homelessness of applicant families. In the sample cases, evidence in the case files indicated the homelessness of the recipient was questionable in 31% of the cases. While there may be legitimate reasons why families would return to their previous residences, this could also be an indication that the families were not actually homeless but had merely reported that they were to receive homeless assistance funds.

Comment: Questionable information does not equate to erroneous information in all situations. In the same manner that a return to a previous residence could be an indication that the family was not homeless, it (return to previous residence) could also indicate resolution of conflict and/or reconciliation. At any rate, the cause (of homelessness) is not a factor to be evaluated when determining if the applicant/recipient meets the definition of homeless.⁽⁴⁾

III. The Department of Social Services and the County Welfare Departments Need to Improve Their Data Bases for the Homeless Assistance Program

- o The data contained in the HAPI system is still incomplete for some counties that have reportedly entered their data, and the data is also not always accurate. Consequently, the HAPI system is not effective to detect multiple applications for

Kurt R. Sjoberg
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homeless assistance by the same family during the same 12 month period.

In 16 of 18 sample cases, the date that the homeless assistance payment was made according to the data in the HAPI system did not match the payment date gathered from review of case files at the counties. In most instances, the date entered into the HAPI system was later than the actual payment date. The effect of the error in these instances would be that the family would not be able to receive a second cycle of homeless assistance until one day to three weeks later than they truly should have been able to receive it.

Comment: The HAPI system, like any other system dependent upon human entries, is not and cannot ever be error free. If every county accurately and adequately used HAPI, there are still situations that would elude the system. The composition of assistance units is subject to frequent change. In addition, some cases contain more than one AU registered under the same case number. For example, it is not unusual for a mother and some of her children to make up one AU while another caretaker relative makes up an additional assistance unit with one or more of that same mother's children. Your report did not address whether HAPI use was evaluated considering multiple AUs and/or caretakers. It is noted that if the same caretaker relative payee requested homeless payments for an AU consisting of the exact same children in two counties in less than 12 months, a query of HAPI would disclose same. A denial would be appropriate. However, if that same caretaker relative payee now has different eligible children, eligibility could exist despite a HAPI response showing prior issuance. (5)

Based on the above cited limitations, at maximum function, payback from the use of HAPI is not commensurate with staff hours demanded. The report's contention that the county's delay in entering HAPI codes would result in a family not being able to receive a second cycle of homeless assistance until one to three weeks later than they truly should have been able to receive it is erroneous. Renewed eligibility to homeless assistance is tied to the date of the first HA payment. The issuance is not delayed to match the date of entry of the HAPI code. (6)

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The recommendation to require counties to refer all cases that meet the counties criteria for investigation and to consider additional staff so they can more thoroughly investigate, seems to relegate all program areas except homeless to a position of non-importance.

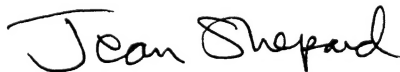
This county's staffing and prioritizing of cases slated for investigative review reflect our continuous consideration of the cost effectiveness of hiring additional investigative staff. The acquisition of more staff does not negate the consideration of other program needs. Therefore, other program needs may yet render it impossible to thoroughly follow up and investigate all homeless assistance cases that meet the county's criteria for investigation.

In conclusion, I had hoped that the report would convey novel information. I do not feel it has. The need for improvements in the Homeless Assistance program was and is evident and has been recognized by the State and Counties. The recommendations shared in the report seem to be no more than expansion in the areas the Department and Counties are moving toward.

Thank you for the opportunity to comment on the report.
A response detailing follow-up activity on the "cross-county matches" will be submitted under separate cover.

If further information is needed, please contact Lola J. Hobbs at (619) 338-2720.

Warm Regards,



RICHARD W. JACOBSEN, JR.
Director

RWJ/jdl

**THE OFFICE OF THE AUDITOR GENERAL'S COMMENTS ON THE
RESPONSE FROM THE COUNTY OF SAN DIEGO,
DEPARTMENT OF SOCIAL SERVICES**

To provide clarity and perspective, we are commenting on the County of San Diego, Department of Social Services' (county) response to our audit report. The numbers correspond to the numbers we have placed in the county's response.

- ① Our audit conclusion is appropriately supported. According to state regulations, a family can receive homeless assistance a second time within 12 months even if the family unit does not entirely change. The county raised the concern that the same caretaker could be eligible a second time if the children in the family were different in the second instance of homelessness. None of the cases that we reported as inappropriately receiving assistance in a second county was eligible in the second instance because of this fact.

As a result of our final internal review of the report, however, we did delete four cases from the original number we reported in the draft report that the county received. In our initial testing to identify those families that inappropriately received homeless assistance in multiple counties, we matched the cases between counties based on the caretakers. Subsequent review revealed that three counties did not always establish the case in the name of the caretaker. For example, in two cases the county established the case under the name of the absent mother, even though the father was the caretaker. Because in four cases the caretaker was different in the two counties, the number of families that we report as inappropriately receiving homeless assistance in a second county is 20. These 20 families received \$13,312 that they were ineligible to receive in the second county.

- ② We do not state in our report that "questionable" cases equate to fraud, abuse, or ineligibility, nor do we state that current regulations prohibit a family's return to a prior residence. In fact, on pages 16 and 50, we point out that there may be legitimate reasons why a family would return to its previous residence. However, we also note that returning to a prior address could be an indication that the family was not really homeless, but merely reported that it was to receive homeless assistance payments. Our report states that, in cases in which there is reason to question the family's homelessness, the counties should follow up or investigate to confirm the family's homelessness. Of the eight cases we reviewed in which the families reported to the counties the same address before and after receiving homeless assistance, we followed up on three cases. We found that, in each of these three cases, either the families were not homeless or they provided false information to receive the homeless assistance.

- ③ On page 24 of our report, we point out that the regulations do not require identification from homeless families before the county can pay the family homeless assistance. However, the counties should still attempt to obtain from the families all documents that are needed to establish the families' identity and eligibility for the program.

The county also states that aid cannot be denied, delayed or discontinued if an applicant does not provide a social security number, as long as the individual is attempting to obtain a social security number and provides that number to the county when it is received. First, our report does not state that assistance should be denied if an applicant does not provide a social security number. Our point, as stated above, is that counties should attempt to obtain all documents necessary to establish a family's identity and eligibility for assistance. Second, in the cases that we identified as missing social security numbers, the case file contained no social security number and no evidence that the individual was or would be applying for one.

- ④ We do not state in our report that questionable information in a family's case file equates to erroneous information in all situations. Rather, in Chapter 2 of the report, we present an argument that supports giving the counties additional options for dealing with families who have applied for homeless assistance, but whose eligibility for homelessness appears questionable.

- ⑤ The county contends that in certain situations the Homeless Assistance Payment Indicator (HAPI) system could indicate that a caretaker had received prior homeless assistance when, in fact, the caretaker could be eligible for assistance if he or she had different children. As the name implies, the HAPI system is an "indicator" that a family has received prior assistance. In describing the system to the counties, the department noted that if the system indicates that a family has previously received assistance, the county in which the family is applying may need to contact the county in which the family previously received assistance for additional information.

- ⑥ We do not contend that a county's delay in entering data into the HAPI system would delay a family's eligibility or the issuance of homeless assistance. The issue that we discuss in this section is not the date that the county enters information into the HAPI system but, rather, the accuracy of the information it enters. Our report states on page 73 that the dates in the HAPI system showing when families were paid homeless assistance are inaccurate.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
State Controller
Legislative Analyst
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
Capitol Press Corps